

ESTABLISHING A BUSINESS IN SASKATCHEWAN

In order to do business in Saskatchewan, a business must be registered with the Corporate Registry, Information Services Corporation. In all cases, registering a sole proprietorship or partnership in Saskatchewan requires submission of an Application for Registration, Request for Name Availability Search and Reservation, along with applicable fees.

Common business structures in Saskatchewan include:

- A **sole proprietorship** or a partnership carrying on business under a business name must (with few limited exceptions) register that name pursuant to *The Business Names Registration Act*. The sole proprietorship's profit is taxed together with the owner's other personal income at the applicable tax rate. The top marginal rate of income tax for an individual earning business income in Saskatchewan is 44% (federal and provincial combined rate);
- A **partnership**. Only the individual partner's portion of the partnership profits or losses is taxed together with that individual's income; and
- A **provincial or extra-provincial corporation**, pursuant to *The Business Corporations Act*. Incorporation in Saskatchewan is straightforward and starts with the submission of the Request for Names and Reservation (unless you are incorporating as a numbered corporation), the submission of Articles of Incorporation, Notice of Directors, and Notice of Registered Office, accompanied by appropriate fees, to the Corporations Branch of Saskatchewan Justice. This can be done online. The usual processing time for registration documents is two weeks or faster, if done online. If needed, priority processing can be provided for additional fees. Information on registration processes can be found at www.isc.ca/Pages/default.aspx. Phone: (306) 787-2962 Fax: (306) 787-8999 or e-mail: corporateregistry@isc.ca.

For provincial incorporation or registration, at least one of the corporation's directors must reside in Saskatchewan, unless a "power of attorney" has been appointed in lieu of a resident Saskatchewan director. At least 25% of the directors must be resident Canadians.

A corporation formed in one province is required to register in every province or territory in which it will carry on business.

Incorporation is also possible under the *Canada Business Corporations Act* (CBCA). Federal CBCA corporations are useful for businesses that are national or interprovincial in scope. Most of the legal provisions for federal corporations are similar to those for provincial corporations since *The Business Corporations Act* is modelled on the *Canada Business Corporations Act*. Federally incorporated entities are also required to register in each province where they carry on business.

Corporations Canada administers the CBCA, which governs all federal companies, except financial intermediaries. Corporations Canada issues and registers official documents under the Great Seal of Canada through the Registration Section. Call 1-866-333-5556 or visit <http://corporations.ic.gc.ca/eic/site/cd-dgc.nsf/eng/home>.

Buying a business in Saskatchewan is also an option. Information on opportunities is available from Enterprise Saskatchewan.



FOREIGN INVESTMENT

In order to encourage foreign investment in Canada, the federal government enacted the *Investment Canada Act* (ICA). The ICA 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 ICA before doing business in Canada. Under the Act, a non-Canadian includes any business entity that is not controlled or beneficially owned by Canadian citizens. Most foreign investment transactions, except for transactions that fall within the categories of reviewable transactions, are not subject to prior review or approval and simply require notification of the Canadian government. For more information on the ICA or other Canadian government requirements, go to <http://investincanada.gc.ca/eng/establish-a-business.aspx>.

PROVINCIAL TAXATION

Both Canada and Saskatchewan impose income tax on individuals and corporations.

Corporate Income Tax (CIT) is levied as a percentage of the share of a corporation's taxable income that is allocated to the Province. Saskatchewan's general tax rate on corporate taxable income is 12%. The CIT rate for manufacturing and processing companies may be reduced to as low as 10%, depending on allocation of income to Saskatchewan.

Additional information is available at www.finance.gov.sk.ca/taxes/cit.

Saskatchewan small businesses, defined as Canadian-controlled private corporations, pay a reduced rate of 4.5% (commonly known as the small business rate) on eligible business income. The eligible income threshold for the small business tax rate is \$500,000.

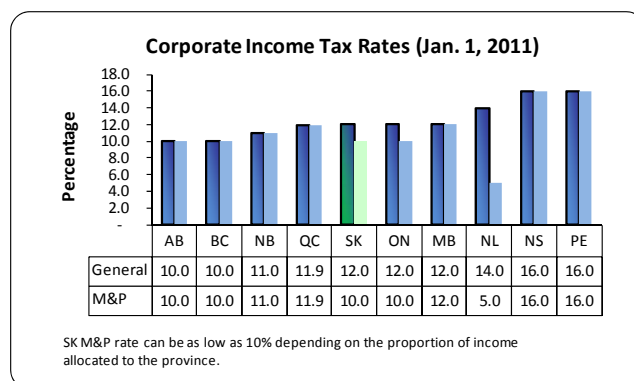
The **Saskatchewan Corporation Capital Tax (CCT)** is levied only on provincial Crown corporations (0.6% of taxable paid-up capital) and financial institutions (0.7% of taxable paid-up capital for small financial institutions, and 3.25% for large financial institutions). In addition, a Resource Surcharge is levied under the authority of *The Corporation Capital Tax Act*, on the gross value of sales of all oil, natural gas, potash, uranium and coal produced in Saskatchewan (3.0% universal rate, with the exception of Fourth Tier oil and natural gas at a rate of 1.7%).

Additional information can be found at www.finance.gov.sk.ca/taxes/cct.

The **Provincial Sales Tax (PST)** is a 5% tax applied to the purchase, rental, or importation of most goods and certain services in Saskatchewan. If your business sells goods or services to which the PST applies, you must apply for a Vendor's License. If your business does not make retail sales in Saskatchewan, you must still register with Ministry of Finance as a registered consumer for the purposes of paying tax on items purchased outside of the province.

As a general rule, direct agents such as raw materials, dies, jigs, moulds, polishing compounds, abrasives, cutting lubricants, etc. consumed or transformed in the production of goods are exempt from PST. Gas and electricity consumed in the production of goods are also exempt from PST, but in the case of electricity, the exemption is limited to power directly consumed by machinery and equipment used in the manufacturing process. Visit www.finance.gov.sk.ca/taxes.

Saskatchewan does not levy **Payroll Taxes**, unlike several other provinces.



FEDERAL TAXATION

Canadian corporations pay tax on their worldwide taxable income, while foreign affiliates pay corporate tax on their taxable income earned in Canada. All firms may deduct, from their accrued revenues, the expenses incurred in producing goods and services, provided there is a reasonable expectation of profits. Corporations located in Saskatchewan file a single, joint income tax return to the Canada Revenue Agency in respect of both federal and Saskatchewan corporate income taxes.

For Canadian-controlled private corporations claiming the small business deduction, the net tax rate is 11%. The small business threshold is \$500,000. For other corporations, the net tax rate is as follows:

- 16.5% effective January 1, 2011
- 15% effective January 1, 2012

There are mandatory employer contributions for Employment Insurance and Canada Pension Plan based on employees' taxable income.

The **Goods and Services Tax (GST)** is imposed by the federal government at a rate of 5% on certain goods and services.

MUNICIPAL TAXES

Each municipality in Saskatchewan levies property taxes on businesses within their jurisdictions. These rates are set by individual municipalities.

Municipal Property Tax Abatements are available in many Saskatchewan municipalities.

Municipal governments enact zoning bylaws. Before starting a business, it is wise to make sure the area is zoned for the proposed activity. Contact the local municipality for more information.

LICENCE REQUIREMENTS

BizPaL makes it easier for entrepreneurs to start up a business by providing a list of the federal, provincial and municipal permits and licences they need. For more information, visit www.bizpal.gov.sk.ca.

Legal requirements to do business in Saskatchewan may include:

- Municipal or City Business Licence – required in each municipality in which your business operates.
- Provincial Sales Tax and Goods and Services Tax Registration – required by most businesses.
- Employer Registration Number – required by all employers who make deductions for Income Tax, Employment Insurance and Canada Pension.
- Workers Compensation Coverage – required by most employers.

Other licences may be required.

Federal law governs **intellectual property** in Canada. Trademarks are governed by the *Trade-Marks Act*, patents are governed by the *Patent Act* and copyrights are governed by the *Copyright Act*. The Canadian Intellectual Property Office (CIPO) is responsible for the administration and processing of most intellectual property in Canada. Additional information is available online at www.cipo.gc.ca.

REQUIRED PAYROLL DEDUCTIONS

Employees contribute 4.95% of gross earnings to the **Canada Pension Plan**, to an annual maximum of \$2,217.60. The employer matches this amount. Employees also contribute 1.78% of earnings to the **Employment Insurance** fund, to a maximum of \$786.76 annually. Employers must contribute 1.4 times the employee's contribution, to a maximum of \$1,102.86. Visit www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll

Saskatchewan Worker's Compensation Board

Employers are required to register and establish an account with the Workers' Compensation Board (WCB) if they have one or more employees. A sole proprietorship and/or general partnership business without employees need not register with WCB. However, the proprietor or partners have the option to purchase personal coverage. WCB rates are established based on sector standards. If a claim is covered by WCB, the employee cannot take legal action against the employer for the injury. Visit www.wcbask.com.

OTHER BUSINESS REQUIREMENTS

The **Saskatchewan Financial Services Commission** (SFSC) administers *The Securities Act, 1988*. You must comply with the Act if you are going to issue securities to raise money for your business. In certain instances, you will be required to prepare a prospectus and become registered pursuant to the Act. In other instances, an exemption in the Act may render registration and preparation of a prospectus unnecessary. The SFSC website is very comprehensive and outlines, among other things, registration, exemptions and fees. Additional information is available online at www.sfsc.gov.sk.ca.

Saskatchewan's **Labour Standards** are set by *The Labour Standards Act*, which governs conditions of work.

- Hours of work: The maximum weekly hours of work is 40. The maximum daily amount is 8 hours of work. Employers can obtain permission to utilize a 10 hour work day for 4 days. Overtime is payable at the rate of 1½ times the regular rate of pay for all time over 8 hours in a day or 40 hours in a week.
- Minimum wage for all persons is currently \$9.25 per hour.
- Employees are entitled to 3 weeks of paid vacation time after their first full year of employment and for every year thereafter, plus an additional week after 10 years of employment. Additionally, employees are entitled to maternity, parental, adoption, bereavement and compassionate care leave.
- Employees are not required to work on statutory holidays. There are nine statutory holidays in Saskatchewan. If an employee agrees to work on one of these days, he/she must be compensated at a rate of 1½ times his/her normal wage.
- If an employer wishes to dismiss an employee, the employer must follow the guidelines set out the *Labour Standards Act*.

Details and exceptions on each of the above areas can be found at the Labour Standards Branch website at www.labour.gov.sk.ca/standards or by calling the Labour Standards Branch Call Centre, toll-free, at 1-800-667-1783 or via e-mail at webmaster@lab.gov.sk.ca.

Occupational Health and Safety is governed in Saskatchewan by *The Occupational Health and Safety Act, 1993*, which, together with the regulations under that Act, provide a comprehensive workplace safety code.

Saskatchewan has many pieces of **environmental legislation** in place dealing with anything from forestry and water to air pollution. For more information, visit www.environment.gov.sk.ca.

Federal law governs immigration matters in Canada. The **Saskatchewan Immigrant Nominee Program** (SINP) can provide an alternate and quicker means of entry into Canada. It allows Saskatchewan to nominate applicants, who qualify under criteria established by the province, to the federal government for landed immigrant status. Visit www.saskimmigrationcanada.ca.

INCENTIVES

The **Saskatchewan Investment Tax Credit** for Manufacturing and Processing is available to manufacturing and processing corporations filing a Corporate Income Tax Return with some allocation of taxable income to Saskatchewan. This is a refundable income tax credit designed to encourage plant and equipment investment for manufacturing and processing activities in Saskatchewan. The income tax credit applies as 5% (equal to the PST rate) of the total capital cost of eligible new and used manufacturing and processing building, machinery, and equipment purchases made during the year, including installation costs.

The **Saskatchewan Research and Development Tax Credit** is designed to encourage private-sector research and development (R&D) investment in Saskatchewan. It is available at a rate of 15% of qualifying R&D expenditures incurred by corporations in Saskatchewan. The R&D Tax Credit is fully refundable for qualifying expenditures made after March 18, 2009. For qualifying expenditures made before March 19, 2009, the credit may be used to reduce Saskatchewan CIT otherwise payable. For more information, go to www.finance.gov.sk.ca/programs-services.

A number of investment and research incentive programs exist. Please visit www.enterprisesask.ca.

Disclaimer: The information in this document is accurate as of January 2011; however, the Government of Saskatchewan accepts no liability for any actions taken as a result of the information contained herein.