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## Guide to Starting an Incorporation in Canada British Columbia

*Unless otherwise mentioned, the B.C. incorporation mentioned in this article specifically refers to a company incorporated in British Columbia, Canada, in accordance with Business Corporations Act.*

### Introduction

Many foreign investors would like to expand their business in Canada. However, starting a business for a foreigner is little complicated and restricted. Federal and many provinces/territories in Canada impose a resident Canadian requirement which provides that a certain number of directors of a company must be “Resident Canadians”. Options for foreigner to form a company are limited if they are not Canadian resident or cannot cooperate with Canadian citizens or landed immigrants.

Currently, British Columbia has the most flexible rules regarding non-resident business. According to the Business Corporations Act of Business Columbia, no Canadian resident is required to be appointed as a director. Therefore, non-Canadian residents can incorporate Canadian corporations in British Columbia. If you would like to conduct your business through a highly prestigious and widely recognizable Canadian legal entity, buy property in Canada or are planning a business immigration to Canada, British Columbia corporation is an excellent choice.

This guide will discuss business registration about the structures, procedures and other compliances requirements in British Columbia in details.

The main statutes governing British Columbia incorporations are Business Corporations Act and Cooperative Association Act, if the business is on a cooperative basis. Both statutes are available online.

B.C. Registries and Online Services is the administrative agency and is responsible for accepting and processing all required documents and application fees to register a business entity in British Columbia.

## 1. Business Structure in British Columbia

### (1) Sole Proprietorship

The sole proprietor is said to be self-employed. As a sole proprietor you would be fully responsible for all debts and obligations related to your business. A creditor with a claim against a sole proprietor would normally have a right against the sole proprietor's assets, whether business or personal. This is known as unlimited liability.

### (2) General Partnership

A partnership is an agreement in which two and more people combine resources in a business with a view to making a profit. In a General Partnership, you and one or more other owners would share the management of a business, and each partner would be personally liable for all debts and obligations incurred. This means that each partner is responsible for, and must assume, the consequences of the actions of the other partner(s).

In order to establish the terms of the Partnership and to protect yourself in the event of a disagreement or dissolution of a Partnership, a partnership agreement should be drawn up.

### (3) Incorporation

An incorporation, also known as a limited company, is a legal entity that is separate and distinct from its members (shareholders). Companies are incorporated in B.C. according to the provisions of the Business Corporations Act.

When a company is incorporated, it acquires all of the powers of an individual, an independent existence – separate and distinct from its shareholders, and an unlimited life expectancy. A company can acquire assets, go into debt, enter into contracts, sue or be sued. Ownership interests in a corporation are usually easily changed. Shares may be transferred without affecting the corporation's existence or continued operation.

### (4) Advantages of Incorporation Against Sole Proprietorship/General Partnership

Unlike Sole Proprietorship and General Partnership, Incorporation in B.C. has following advantages:

#### (a) Limited Liability

Normally no member can be held personally liable for the debts, obligations or acts of the corporation beyond the amount of share capital the members has subscribed. Each shareholder has limited liability. A creditor with a claim against the assets of the company would normally have no rights against its shareholders, although in certain circumstances shareholders may be held liable.

(b) Perpetual Succession

Because the corporation is a separate legal entity, its existence does not depend on the continued membership of any of its members.

## 2. Major Features of Incorporation in British Columbia

(1) Name of Company

Each B.C. corporation must have a distinctive legal corporate name.

Corporate name of a named corporation should include a distinctive and descriptive parts. It must also include a legal element, such as "Limited", "Limitée", "Incorporated", "Incorporée" or "Corporation" or the abbreviation "Ltd.", "Ltée", "Inc." or "Corp.", respectively.

B.C. corporate name may also be as a number. Name of a numbered corporation is created by adding "B.C. Ltd." after the incorporation number of the company, which is generated by the B.C. Registry Services.

The name of a corporation may be in English form, French form or both. Restricted words are ones that may be considered to be misleading, and include, for example, "bank", "trust", "insurance", "stock exchange", "university", "academy", etc.

(2) Capital

B.C. has no requirements of a minimum authorized capital. Corporation is authorized to issue any number of shares for any consideration.

(3) Shareholders

A minimum of one shareholder is required. The shareholder can be a legal entity or natural person, without nationality limitation.

(4) Incorporators

At least one incorporator, should be a nature person.

(5) Directors and Officers

Director must be a natural person without nationality limitation. No director, who is a resident of Canada is required. A minimum of one director is required.

Director may appoint officers and specify their duties. Any individual, including a director, may be appointed to any office position, including president and secretary. One individual may hold two or more positions.

(6) Registered Office and Records Office Address

All corporations registered in B.C. must have a registered office and a records office on behalf of the corporations to receive/keep legal documents. The registered office and the records office may be located at the same place and must have a physical street address in B.C. Kaizen can provide a registered agent for your corporation in B.C.

(7) Certificate of Incorporation

A Certificate of Incorporation is a form filed with B.C. government to register your corporation. The corporation needs to submit the Incorporation Application to B.C. registration's office and pay the registration filing fee. The officer will review the document and send back the sealed Certificate of Incorporation with the filing date and filing number if approved.

(8) Bylaws

A corporation's bylaws are its internal rules and operating procedures. They are not filed with the government. Bylaws may include any provisions relating to the business and affairs of the corporation or the rights and powers of the corporation and its directors, officers, shareholders and employees. Bylaws cannot include anything that is inconsistent with the law or the Certificate of Incorporation.

### 3. Incorporation Registration Procedures

(1) Choose a Corporate Name

Your corporation's name must be distinctive, and it must not be misleading or likely to be confused with names used by other organizations and businesses. New corporate names must be approved by B.C. Registries and Online Services.

If you choose to use the incorporation number as the company's name (for example 0123456 B.C. Ltd), you do not need a name approval and reservation. The incorporation number is assigned by system at the time the incorporation application is filed.

(2) Prepare Corporate Bylaws

Bylaws is an internal corporate document that sets out the basic ground rules for operating your corporation. The Bylaws must be signed by each person(incorporator) forming the company. Usually the incorporators will become the shareholders and directors once the company is incorporated. There is no need to file with the government. You need to keep the agreement in your records book. When opening a bank account, the bank may also ask to see this document.

(3) Appoint a Registered Agent

All corporations registered in B.C. must have a registered office and a records office on behalf of the corporations to receive/keep legal documents. The registered office and the records office may be located at the same place and must have a physical street address in B.C. Kaizen can provide a registered agent for your corporation in B.C.

(4) File Incorporation Application

To register your corporation in B.C., the Incorporation Application and the application fee are required to submit to B.C. Registries and Online Services.

(5) Set Up a Corporate Records Book

Set up a corporate records book in which you keep all your corporation's important papers, including minutes of director and shareholder meetings, stock certificates, and stock certificate stubs. Keep your corporate records book at the principal office of your corporation.

#### 4. Compliance Requirements

(1) Goods and Services Tax (GST) registration

Generally, if your corporation in British Columbia, which makes taxable sales, leases, or other supplies in Canada and your annual world-wide GST taxable sales, including those of any associates, are more than CAD \$30,000, you may be required to register for GST with Canada Revenue Agency. The registration application takes 1 business day to process. Kaizen can help you handle the GST registration process.

(2) Provincial Sales Tax (PST) registration

Provincial sales tax (PST) is a retail sales tax that applies when a taxable good or service is purchased, acquired or brought into British Columbia. Generally, if your business in British Columbia sells or lease taxable goods or provide software or taxable services in the ordinary course of business in British Columbia, you must register to collect PST with Ministry of Finance. The registration application may take up to 30 business days to process. Kaizen can help you handle the PST registration process.

(3) Extra-provincial company registration

Your corporation incorporated in British Columbia wishes to expand its activities outside of its provincial jurisdiction at a later date, it must obtain an extra-provincial license from every other province in which it wishes to open an office or obtain a physical presence. The specific requirements and process depend on different provinces. Please consult with Kaizen professionals for more details.

(4) Annual Renewal

To maintain an active status and good standing, incorporated companies must file an annual report each year within two months after the anniversary date of the company's incorporation, amalgamation, extra-provincial registration or continuation into B.C. You can file the application electronically or use paper forms to submit the application.

(5) Other registrations

The corporation in British Columbia need to complete the following registrations to comply with the law. If your corporation in British Columbia, which plans to hire employees, are required by law to register with WorkSafe. And if your corporation pays wages, salary, bonuses or tips to the employees, you will need to register with the Canada Revenue Agency (CRA) for a payroll deductions account. If your business is incorporated, or you are a non-resident corporation operating in Canada, you will need to register for a Corporate Income Tax account with the Canada Revenue Agency. If you are going to import or export goods, you will need to register with the Canada Border Services Agency (CBSA).

*If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following and talk to our professionals:*

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