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LEGAL GUIDE · AUGUST 2026

Destination Canada

The legal guide to setting up and doing business in Canada, for European companies.

The journey in five chapters

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SECTION 01

Canada at a glance

A federal territory, a G7 economy, two legal systems side by side.

01 OVERVIEW | 02 CONTRACTS | 03 SETUP | 04 COURTS | 05 CULTURE

Montréal, Québec

Almost 20 times France, ten provinces, three territories

10M km²

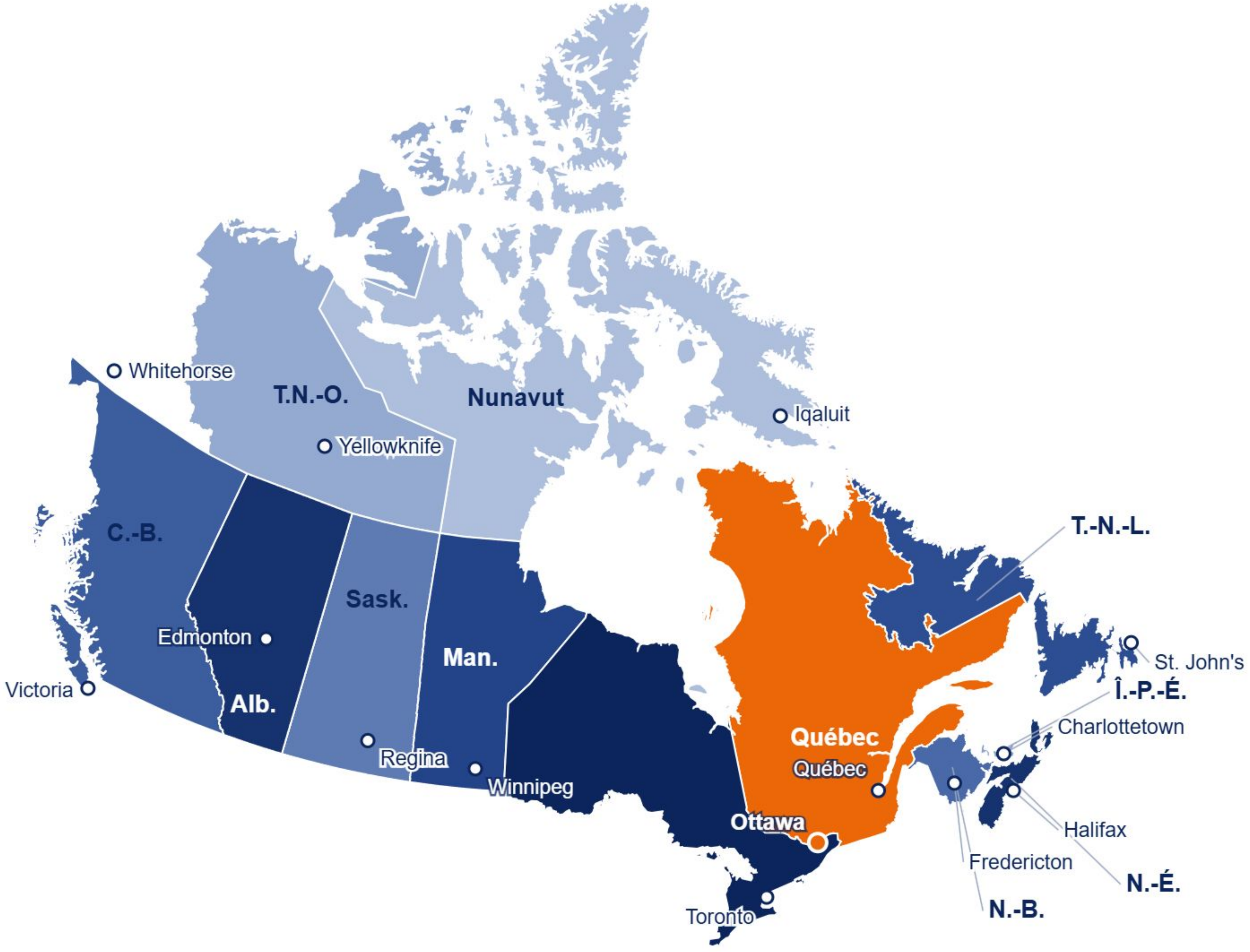
in area, the 2nd largest country in the world, about 20 times the size of France

10 + 3

provinces and territories, from west to east and north to south

1 federation

in which each province enjoys very broad legislative autonomy



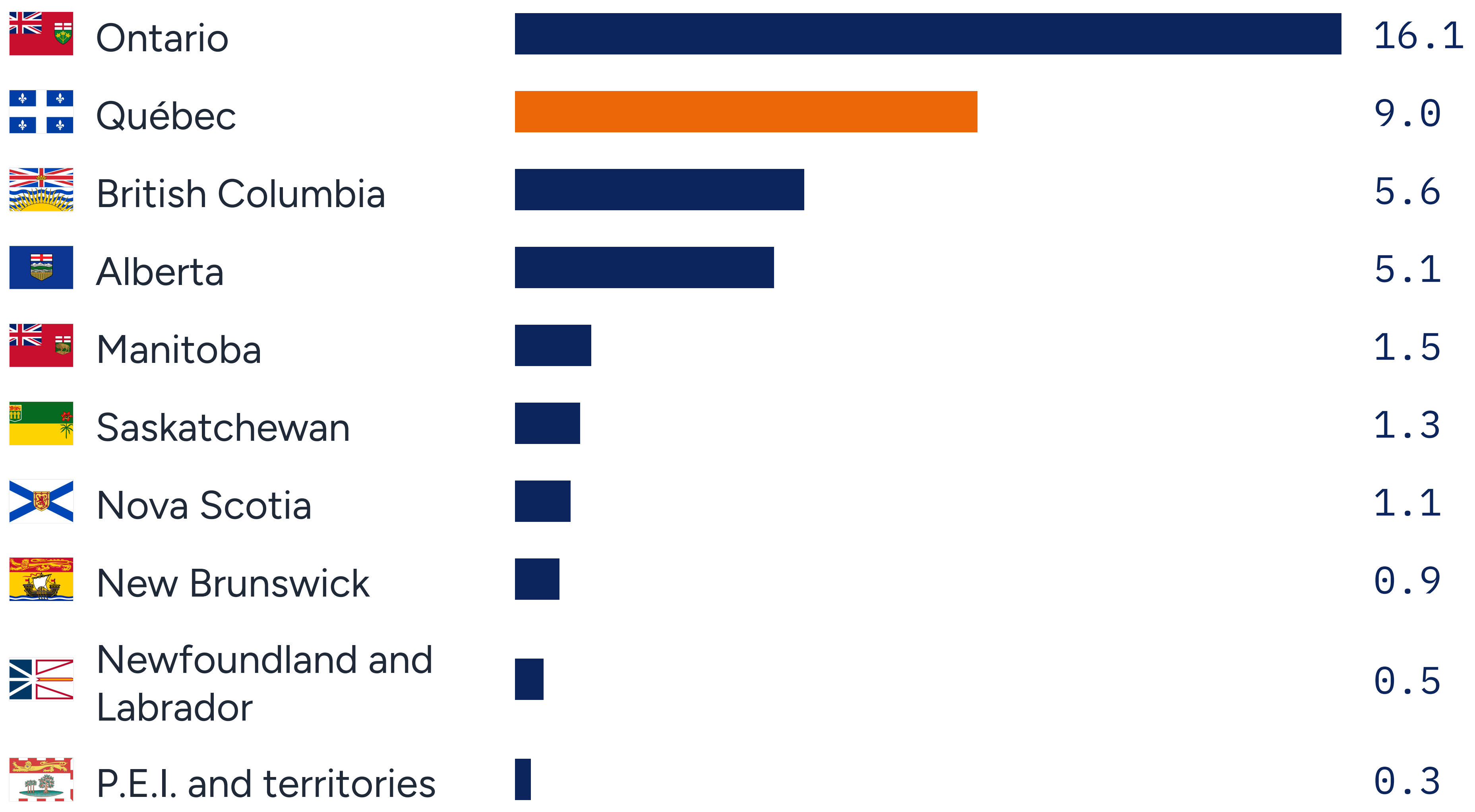
Capitale provinciale ou territoriale
Ottawa — capitale fédérale

41.4 million people, concentrated along the border

41.4M

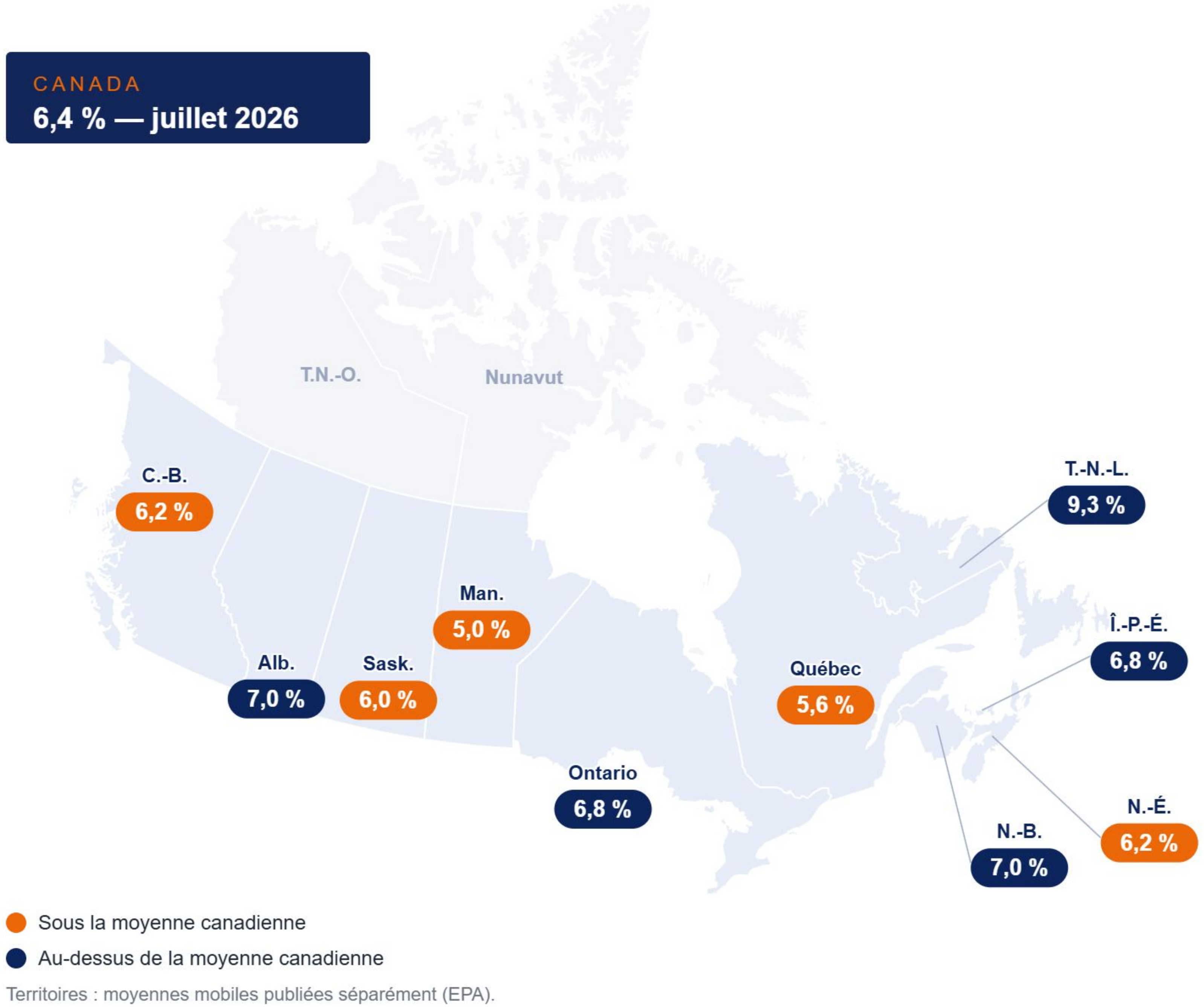
inhabitants as at 1 April 2026, after two years of record migratory growth, lower immigration targets have stabilised the population.

61% of the population lives in Ontario and Québec.



Source: Statistics Canada, quarterly demographic estimates as at 1 April 2026 (table 17-10-0009-01) — millions of inhabitants

A labour market at its tightest in two years



6.4%

unemployment in Canada in July 2026, the lowest level in two years, with 75,000 jobs created during the month.

MAJOR CITIES

Vancouver	6.0%
Montréal	6.6%
Toronto	6.7%

Québec does better than the national average, at **5.6%**.

Source: Statistics Canada, Labour Force Survey, July 2026 — seasonally adjusted data

A G7 economy, with the lights on green

41.4M

inhabitants

as at 1 April 2026, including 2.6M non-permanent residents

6.4%

unemployment — July 2026

the lowest in two years · Québec 5.6% · Ontario 6.8%

1.5%

growth in 2026

2nd in the G7, with 1.9% forecast for 2027

12.5%

net debt / GDP

the lowest ratio in the G7 for 20 years

AN OPEN MARKET

CETA — Europe

The Canada–European Union agreement eliminates most customs duties between the two markets.

CUSMA — North America

NAFTA's successor opens up the US and Mexican markets from Canada.

Setting up in Canada means producing at the crossroads of both agreements.

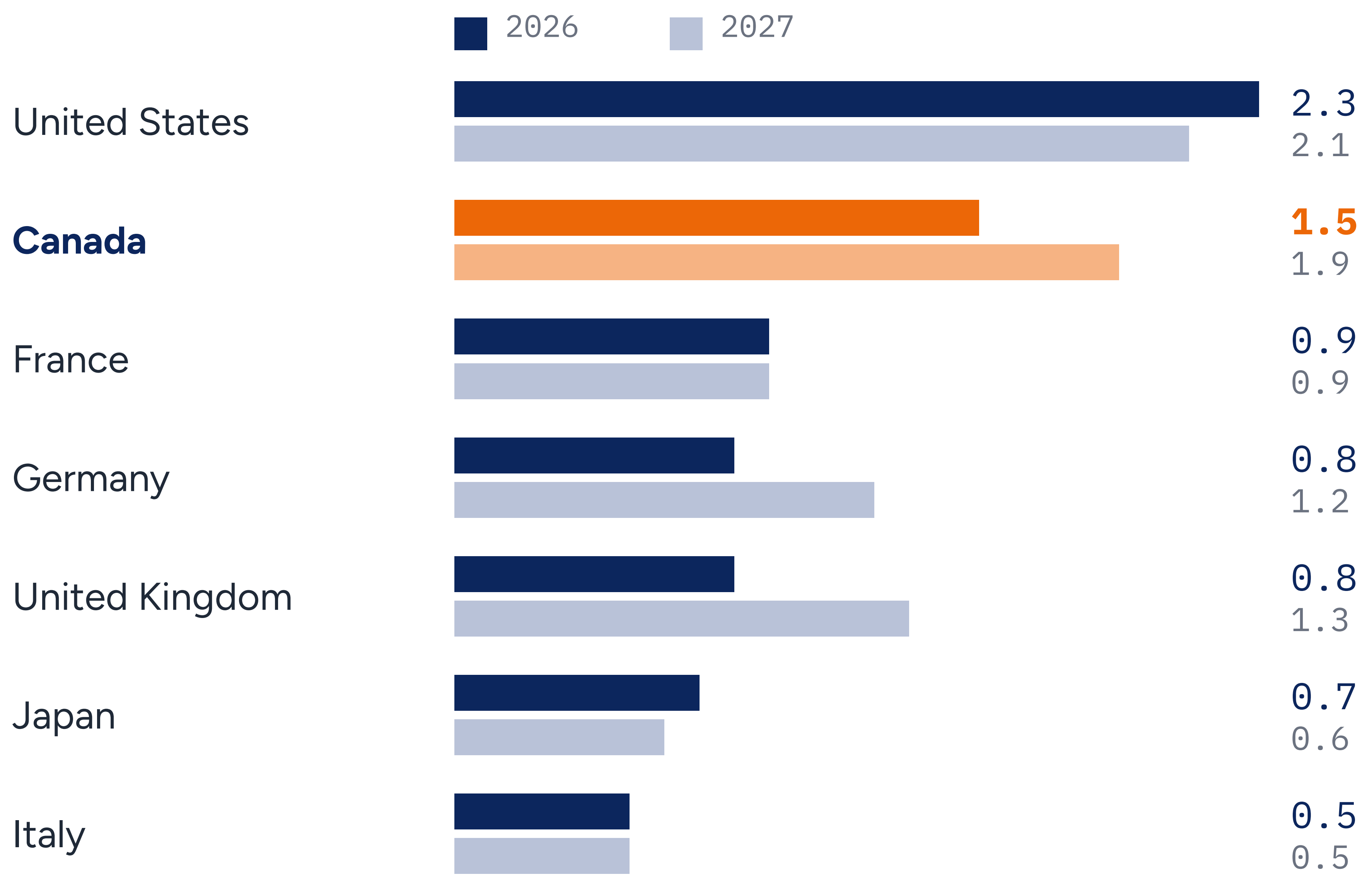
Sources: Statistics Canada, 1 April and July 2026 · IMF, WEO April 2026 and October 2025

Canada, second-fastest growth in the G7 in 2026

2nd

in the G7 for real GDP growth in 2026, at 1.5%, with 1.9% forecast for 2027.

Only the United States does better among the G7 countries.



Source: International Monetary Fund, World Economic Outlook, April 2026. Real GDP growth, in %.

Four dates to make sense of the Constitution

1763

Treaty of Paris

France cedes its Canadian territories to Great Britain.

1774

Quebec Act

Brought into force on 1 May 1775. London recognises two systems of law: French law in civil matters, English law in criminal matters.

1867

British North America Act

The federation of Canada is born. Sections 91 and 92 divide powers between federal and provincial legislatures: each province legislates in the fields assigned exclusively to it (health) or shared with the federal level (the QBCA).

1994

Civil Code of Québec

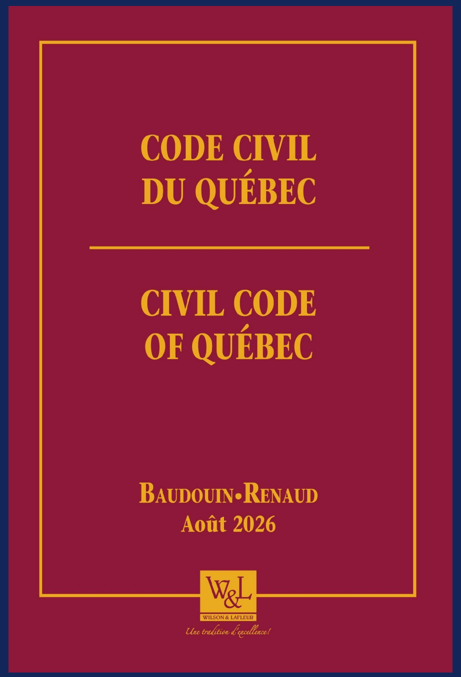
A recasting of the 1865 Civil Code of Lower Canada, itself inspired by the Napoleonic Code: family law, the law of persons, the law of obligations.

Civil law in Québec, Common Law elsewhere

QUÉBEC

Codified civil law

The Civil Code of Québec governs persons, property and obligations. Heir to the Civil Code of Lower Canada and to the French tradition, it governs matters falling within provincial jurisdiction.



9 PROVINCES AND 3 TERRITORIES

Common Law

Judge-made law of British tradition applies throughout the rest of the country, including before the courts that hear private-law commercial disputes.

— Two legal systems sit side by side within one and the same country while federal statutes apply from coast to coast.

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SECTION 02

Contracting: sale, distribution, licence

Freedom of contract as the principle, and the clauses that set its limits.

Toronto, Ontario

Freedom of contract as the principle

01 Three vehicles dominate commercial representation: the **distribution agreement**, the **manufacturer's agent agreement,** the equivalent of the French commercial agent, and the **franchise agreement**.

02 Apart from franchising, which is regulated in certain provinces and federally, these are **not "nominate" contracts** : no specific regulation applies to them, beyond the rules on contracts of adhesion and good faith.

03 The principle of **freedom of will** remains more alive in Canadian law than in France: what you negotiate is what will apply.

— In Québec, the applicable rules are those of the law of obligations of the Civil Code of Québec.

The clauses that give your contracts their structure

- **Term** — fixed or indefinite.
- **Performance clause** — exclusivity is retained only if the targets set out in the contract are met.
- **Notice of termination** — mainly for indefinite-term contracts.
- **Governing law**
- **Territory** — exclusive or not, to be precisely defined.
- **Product exclusivity** — a ban on selling competing products.
- **Non-solicitation** — of the agent's or distributor's staff, during the contract and after it expires.

REMUNERATION

Manufacturer's agent: **commission on sales** · Distributor: **margin on the resale price**. The *Competition Act* prohibits a manufacturer from imposing a resale price that would be likely to have an adverse effect on competition in a market (s. 76).

Termination: article 2125 CCQ and its limits

> *"The client may unilaterally resiliate the contract even though the work or provision of service is already in progress."*
>
> ARTICLE 2125 CCQ

The only obligation: to pay for the services already performed. The provision is not one of public order, it may be departed from, in particular by a notice clause.

Goodwill follows the product: neither the distributor nor the agent may claim any clientele indemnity when the contract expires, a fundamental difference from French law, and a strong argument for making the contract subject to Québec law.

THREE SAFEGUARDS

An indemnity clause provided for in the contract.

Abusive termination — the good faith required by art. 1375 CCQ governs the parties, in civil law as in Common Law; a termination held to be abusive gives rise to a right to compensation.

Abusive clause — null in a contract of adhesion (art. 1437 CCQ), including between merchants.

The contract of sale under the Civil Code of Québec

A “nominate” contract, governed by articles 1708 to 1805 CCQ, a mechanism very close to the French law of sale.

- **The sale is complete** as soon as agreement on the thing and the price is established; suspensive or resolutory conditions are possible.
- **Warranty against latent defects** (art. 1726 CCQ) — with a presumption that a professional seller knew of the defect.
- **Limitation of liability clause** — makes it possible to exclude the warranty, except in cases of “gross negligence” or “intentional fault”. The seller cannot rely on it where it knew of the defect and failed to disclose it.

RESERVATION OF OWNERSHIP – ART. 1745

Enforceable against the buyer only where the buyer has specifically consented to it, a mere mention on the invoice is not enough.

Enforceable against third parties only where it has been published in the Register of Personal and Movable Real Rights (RPMRR), within seven days of the sale.

Software licensing, exploiting a market remotely

Since the amendment of the *Copyright Act* in **1988**, computer programs have been expressly protected as literary works: source code as well as object code.

A licence agreement makes it possible to exploit your technology **"remotely"** without investing in a subsidiary or managing employer-employee relationships tied to a commercial operation.

THREE TRANSATLANTIC RISKS

01 Market coverage is hard to control: it depends on the licensee's development and marketing efforts.

02 The licensee may become a competitor, hence the non-competition clause.

03 Transferring know-how requires technical support whose cost must be assessed precisely if the licence is to remain profitable.

Protective clauses in technology transfers

STATUTORY RIGHTS

Patents, trade-marks, industrial designs, copyright, protection is set by statute.

NON-STATUTORY RIGHTS

Trade secrets, know-how, protection is set by the contract: particular care is needed.

- **Territory and exclusivity** — be precise and restrictive: does “North America” include Mexico under CUSMA?
- **Confidentiality** — technical documentation identified, marked, circulated on a restricted basis, and remaining the licensor’s property.
- **Improvements** — stipulate expressly that the licensee benefits from an automatic licence over improvements.
- **Term** — a short initial term, with tacit renewals unless the contract is terminated.

- **IP protection** — the licensee acknowledges the validity of the rights and undertakes never to challenge them.
- **Marking** of reserved copyright — facilitates seizure before judgment.
- **Remuneration** — a percentage of the net invoiced price, minimum royalties, an entry fee on signature.
- **Caution on territories** — distributors and licensees often demand territories they are unable to cover.

Royalties: zero withholding tax

0 %

withholding tax on licence royalties paid between France and Canada, in the cases covered.

The **France–Canada Tax Treaty** (article XII) caps at **10%** the tax levied in the State in which the royalties arise and eliminates it for:

- copyright : literary, dramatic, musical and artistic works
- the use or licensing of computer software
- patents and industrial, commercial or scientific information

Such royalties are then taxable only in the State of residence of the beneficial owner.

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SECTION 03

Setting up in Canada

From foreign company status to the incorporation of a Canadian subsidiary.

Vancouver, British Columbia

Foreign company status

THE PRINCIPLE

No licence is required to do business in Québec from abroad: a French company may sign a distribution agreement with a Canadian distributor **without registering or applying for any licence**.

THE TIPPING POINT

Under the *Act respecting the legal publicity of enterprises*, any legal person not constituted in Québec that has its **domicile,** its head office there or that carries on an **activity** there, must register with the Registraire des entreprises and keep its information up to date.

— The company then acquires, vis-à-vis the provincial authorities, the status of a **“foreign company”**.

Permanent establishment, the tax tipping point

S. 25 ACT RESPECTING LEGAL PUBLICITY	A company is presumed to carry on an activity in Québec where it has an address, an establishment, a post-office box or a telephone line there, or where it performs an act there for profit.
ARTS. 5 AND 7 OF THE TAX TREATY	The profits of a French enterprise are taxable in Canada only where they are made through a **permanent establishment**: a fixed place of business, a place of management, a branch, an office, a factory, a workshop. Its characterisation is assessed on the facts.
THE DEPENDENT AGENT	A representative in Canada who has the power to conclude contracts on the enterprise's behalf without being an independent agent constitutes a permanent establishment. The characterisation is a question of fact: control, integration, exposure to profit and loss, the parties' intention.

Registered in Québec: the practical consequences

- Registration as a foreign company **does not create a legal person under Canadian law**: the company continues to bear itself the commitments it has entered into with its clients and suppliers.
- It will **support the existence of a permanent establishment** in Canada, with the tax consequences that follow.
- In legal and tax terms, the company is subject to the **same obligations** as any Canadian legal person without enjoying the advantages of that status; in the event of litigation in Canada, it is the company itself that answers for the obligations entered into locally.

THE “DOUBLE PENALTY”

No possibility of recovering the sales taxes paid in Canada (federal GST + QST) · constraints identical to those of a local company, without the legal shield of a separate legal person in the event of proceedings.

Subsidiary: federal or provincial statute

Canadian law knows nothing of the French distinction between SA, SAS and SARL: you incorporate a **business corporation**, under the *Canada Business Corporations Act* (CBCA) or under a provincial statute such as Québec's *Business Corporations Act* (QBCA).

	Federal — CBCA	**Provincial — QBCA**
Head office	May be transferred from one province to another	Fixed in the province of incorporation
Field of activity	The whole of Canada, subject to registering in the provinces of activity	The province, extensible to others through simple licensing formalities
Directors	**At least 25% Canadian residents**	No residency requirement
Corporate name	Federal review of the name	Stricter: must comply with the legislation protecting the French language

Incorporate, then organise: two quick steps

1 Incorporation

- The address of the head office, and the names and addresses of the directors.
- A corporate name is optional : a “numbered” company is possible; otherwise, a prior availability search is needed.
- Articles filed online, fees of a few hundred Canadian dollars, certificate of incorporation.
- **Note** — for federal corporations: extra-provincial dual registration, with Corporations Canada and then with Québec’s Registraire des entreprises.

2 Organisation

- The corporation is organised by resolutions of the directors and the shareholders — or of the sole shareholder.
- Issue of capital, appointment of the directors and officers.
- Adoption of the corporation’s by-laws and of a shareholders’ agreement.

— **BDG is here to support you at every one of these steps.**

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SECTION 04

The court system

Who decides what: two sets of courts, and rules specific to Québec.

Supreme Court of Canada, Ottawa

A mixed system: two sets of courts side by side

In the Canadian federal system, two orders coexist: **provincial statutes and federal statutes**, applied by **provincial courts and federal courts**.

There is therefore a **juxtaposition** of two judicial systems, each dealing with the matters over which it has jurisdiction under the law.

Each province has its own *body* of courts, with jurisdiction to interpret and apply provincial statutes.

PROVINCIAL

Provincial statutes · provincial and superior courts

FEDERAL

Federal statutes · specialised federal courts

Supreme Court of Canada

the final arbiter of both orders

The Canadian court structure

Supreme Court of Canada
court of final appeal — its decisions are final

PROVINCIAL · TERRITORIAL	FEDERAL	MILITARY
Provincial and territorial courts of appeal	**Federal Court of Appeal**	**Court Martial Appeal Court**
Superior courts	Federal Court — intellectual property, maritime law, federal-provincial disputes	Military courts
Provincial and territorial courts	Tax Court of Canada — appeals against assessments	
Provincial administrative tribunals	Federal administrative tribunals	

Québec's courts and their new thresholds

≥ $100,000	**Superior Court** — court of general jurisdiction; supervises the lower courts
$75–100K	**Concurrent jurisdiction** — Court of Québec or Superior Court, at the plaintiff's choice
< $75,000	**Court of Québec** — exclusive jurisdiction; civil, criminal and penal matters
APPEAL	**Québec Court of Appeal** — the province's highest court · **Municipal courts** — limited civil jurisdiction, tax claims

WHAT HAS CHANGED

In 2021, the Supreme Court held the **$85,000** ceiling set in 2016 to be unconstitutional.

Since **30 June 2023**, the exclusive threshold has been brought back down to $75,000, with a concurrent band up to $100,000.

The limits are **indexed annually** — by notice from the Minister of Justice no later than 1 August.

Deep differences from France

- **No commercial code** — employment relations fall under the CCQ and the Labour Code; commercial disputes go to the courts of general jurisdiction.
- **No conseil de prud'hommes** — labour standards are handled by specialised administrative bodies (today the CNESST and the Administrative Labour Tribunal).
- **No expedited interim procedure (référé)** for expert-evidence measures.
- **An employment contract may be terminated even without cause** — subject to reasonable notice of termination (art. 2091 CCQ), depending on the nature of the job and the length of service.
- **Evidence rests on documents and oral testimony** — the French system of "attestations" does not exist: a document may be contradicted by testimony as soon as there is a commencement of proof in writing.
- **No recovery of legal fees** — no equivalent of article 700 of the French Code of Civil Procedure: each party bears its own legal fees, with no reimbursement by the losing party, save in certain cases.

CONSEQUENCE

Given the cost of litigation and how long it takes (testimony lengthens proceedings considerably), the Québec government favours **mediation**.

Planning ahead: jurisdiction and mediation

Given the delays, we favour recourse to **mediation** in our agreements. To confer jurisdiction on the Québec or Canadian courts, a choice-of-forum clause may be included:

> *"The parties agree that, for any claim or legal proceeding on any ground whatsoever in relation to the contract, they choose the judicial district of Montréal, province of Québec, Canada, as the appropriate place for the hearing of such claims, to the exclusion of any other judicial district that may have jurisdiction over such a dispute under the provisions of the law."*
>
> MODEL CLAUSE — CHOICE OF FORUM

THREE POINTS TO WATCH

A clause conferring jurisdiction on a **French court** is delicate where the partner is from Québec and the contract is performed in Canada.

A **challenge to jurisdiction** can never be ruled out.

Enforcing a French judgment in Québec requires prior recognition (art. 3155 ff. CCQ). We prefer the **local courts** and drafting that anticipates these difficulties.

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SECTION 05

Business culture

Direct relationships, fast decisions, and French as the language of business.

Château Frontenac, Québec City

Direct relationships, fast decisions

- Quebecers are not our “cousins” but **North Americans**: relationships are more direct, and working relationships less hierarchical.
- The decision cycle is **the reverse of France’s**: it is easy to obtain a meeting at the highest level, but everything remains to be done after that meeting.
- Québec is an **excellent gateway** for doing business in Canada and, more broadly, in North America.
- **Decisions are taken faster**, particularly in the English-speaking provinces, where the experience of *business* goes back further.
- Government, provincial or federal, is generally **responsive and efficient**.
- In industry, France’s image is **“blurred”**, high technology, but administrative red tape and strikes: a French partner does well to demonstrate reliability.

French, the language of business in Québec

In Québec, business contacts and discussions generally take place **in French**, especially in small and mid-sized companies. In the other provinces, English prevails.

Contracts are drafted in **French**. A contract may be drafted in another language, generally English, provided an express clause, drafted in French, states that this choice reflects the wish of the parties. Bill 96 provides otherwise for contracts of adhesion.

WHAT BILL 96 CHANGES (2022 → 2025)

- Contracts of adhesion must first be provided **in French** before another language can be agreed on.
- Public signage and trade-marks: **marked predominance of French** since 1 June 2025.
- Francisation: registration with the OQLF from **25 employees** — down from 50 previously.

Glossary of terms used

CETA: Comprehensive Economic and Trade Agreement between Canada and the European Union.

CUSMA: Canada–United States–Mexico Agreement, successor to NAFTA.

Manufacturer's agent: independent intermediary who solicits sales, usually for commission.

Beneficial owner: the person who actually enjoys the income, rather than a mere intermediary.

Bijuralism: coexistence of civil law and Common Law within a single legal order.

CCQ: Civil Code of Québec, the central text of Québec private law.

Abusive clause: excessively disadvantageous stipulation, which may be annulled or reduced.

Choice-of-forum clause: clause designating the court that is to hear a dispute.

Common Law: tradition based on precedent; private law outside Québec.

Legislative jurisdiction: constitutional power to legislate on a given matter.

Contract of adhesion: contract whose essential stipulations are imposed, not negotiated.

Nominate contract: contract expressly governed by a specific regime of the Civil Code.

Civil law: codified tradition governing private law in Québec.

Permanent establishment: business presence sufficient to allow local taxation of profits.

Franchise: network in which a franchisee operates the franchisor's formula and marks.

Registration: entry in the register; it does not, on its own, create a corporation.

CBCA / QBCA: the federal and Québec statutes governing business corporations.

Mediation: confidential amicable settlement, assisted by a neutral third party.

OQLF: Office québécois de la langue française.

Enforceability: capacity of a right to have effect against a third party.

Legal person: legal entity distinct from its shareholders.

Intellectual property: rights over patents, trade-marks, designs and protected works.

RPMRR: Québec register of personal and movable real rights.

Royalty: payment for the use of a right granted under licence.

Withholding tax: tax levied at the time of payment.

Reservation of ownership: clause by which the seller keeps ownership until payment.

Trade secret: confidential information of economic value; know-how.

GST / QST: the federal and Québec sales taxes on goods and services.

Latent defect: serious, non-apparent defect predating the sale that impairs the use of the property.

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We look forward to welcoming you to Canada

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