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# Canada LLP

The Perfect Onshore Company  
with Offshore Qualities

# Introduction

- As location-independent entrepreneur you need a legal framework
- If you don't reside anywhere to avoid tax (or just in a territorial tax jurisdiction), you also do not want your company to be taxed
- Reputation is important
- The affordable and (most often) best option is a Canada LLP
- Disclaimer
- Legal questions -> Lawyer

# Legal structure

- What is an LLP?
  - Limited Liability Partnership
- Juridical vehicle for a partnership

# Good reputation

- Great industrial nation (G7)
- Excellent reputation – respected world-wide
- Common Law
  - Fair
  - Stable
  - Internationally known (former British Empire)
  - Reliable legal order
  - Even sceptical customers will have no reservations (unlike Panama, etc.)
- Not suspicious of being a fiscal paradise

# Suitable for whom?

- Location independent entrepreneurs
- Residents of a territorial tax country (except US citizens)
- Online entrepreneurs that want to reduce bureaucracy
- You won't be sued easily in a foreign jurisdiction
- You need to consider CFC laws in your country

# Freedom from taxation

- So-called flow-through structure
  - No tax in Canada
  - Nor any import/export or VAT
  - **As long as you don't serve any customers WITHIN Canada**
    - If needed you might want to establish a company in another tax-optimized jurisdiction for Canadian customers
- If one partner is a Canadian citizen or resident, the case must be discussed with a tax advisor

# Freedom from taxation

- Distributed profits might be taxable in the countries of the partners
  - Many countries have a tax exemption (talk to a tax consultant in your country)
- Consider possible tax/customs in your customer's jurisdiction
  - E.g. in EU you might want to have an „operative agent“ for B2C deals. For digital products you may use services like Digistore24.
  - For B2B there is a reverse charge procedure for the VAT



# Canadian tax numbers

- As default you won't get a tax number
  - This ensures you will have minimal bureaucracy expenditures
  - Only recommended if really needed
  - LL-number on the registration statement is usually sufficient for most purposes, like opening an account with Fintechs or other Banks

# Canadian tax numbers

- There are 4 different tax numbers in Canada. The 2 important ones are:
  - Import/Export (9-digit Business Number)
  - Value-added tax (VAT)
- We can help you to apply for a tax number if needed or you may choose to do it on your own

# Bureaucracy

- As long as you don't pay tax in Canada you don't need to file a tax report
  - No external accounting needed
- Annual reports
  - Very simple
  - Included in the annual fee
  - Gets filed by the lawyer

# Bureaucracy

- Theoretically, reportings could be requested at any time but in practical life, it had never happened before
  - Keep a digital copy of all your invoices & expenses and a simple bookkeeping
  - So you can present everything if needed (maybe also by the tax authorities of the partner's country)

# Office

- Registered office is required
  - Included in the annual fee
  - The lawyer provides it
  - It is your company's register address
  - It is not a physical nor postal business address
  - It is not a "Virtual Office"
    - We offer this service as well with an extra cost

# Office

- Small amount of mail can be forwarded for a little fee
- Documents regarding the company's partners will be stored in the registered office
- The lawyer only allows disclosure of the partners' documents if there is a judicial decision
- Therefore, the partners generally stay anonymous
- You should avoid a physical branch since it might make you suspect of doing business inside of Canada => taxation

# Minimum capital

- 1.000 USD of minimum capital will be stated in the registration documents
- This deposit should be in your business account of your LLP as soon as it's opened. It's usable for business activities.

# Limited liability

- Contrary to the LP, the LLP provides limited liability for all partners
- For criminal acts, there is, of course, a lifting of the corporate veil
- Your LLP will be established in one of the three provinces that allow a full shield protection instead of only partial shield
  - Partial shield means you have only limited liability internally against the misconduct of your employees
  - **Full shield, however, protects the company against external claims**
  - Full shield only exists in **British Columbia**, New Brunswick & Saskatchewan



# Easy establishing

- The formation of the BC LLP works 100% remote
- Your physical presence is not required
- It takes 4-5 weeks until your company is officially registered
  - Bottleneck: Name reservation with the government
- Priority filing is possible for an extra fee => 1-2 weeks
- Besides that, we depend on your reaction time:

# Easy establishing

- Scanned/photographed documents required from all partners are:
  - **Proof of identity:** e.g. passport, ID card
  - **Proof of address:** e.g. ID card, utility bill (not so strict; just make sure you receive mail)
- We are aware of the „location-independent“ concept and sympathizes with it, so we are flexible.
- We are very crypto friendly as well
- We will support you with their vast experience through the entire process

# Establishing process

1. Filling out the instruction form (the field for business purpose is only needed for better individual consulting according to your needs)
2. Sending the required documents (e.g. Passport copy, etc.)
3. Receiving your payment
4. Name reservation will be started
5. Signing of the Partnership Agreement

# Establishing process

- Signing of the documents for the registered office service
- Company will be registered as soon as the name reservation is completed
- You will receive a registration statement with the LL-number. Now you may open a bank account and start your business activities.
- Copies of the originals (which are stored in the registered office) will be physically mailed to you within the coming weeks

# Various business areas

- Generally no restrictions
- Except, of course, for regulated professions like a medical doctor
- No illegal business models like dealing with drugs or weapons
- Ideal for online entrepreneurs like:
  - Dropshipping
  - Software development
  - Online stores
  - etc.
- The company may possess real estate properties (local rules of the countries apply)

# No business bank account in Canada required

- No obligation to operate with a canadian bank account
- Canadian commercial banks require your physical presence to open a bank account
- Rather use modern, affordable & flexible services
  - TransferWise, Payoneer

# The only catch

- **Minimum of 2 partners required**
- Partners could be other legal entities
- Or a natural person like:
  - Business partner
  - Relatives
  - Spouse
  - Good friend

# The only catch

- Shares can be as small as a tenth of one percent (or even less)
- Partners might need to report their shares in foreign companies in their home country / consider CFC rules etc. (consult a local tax-advisor)



# BC LLP vs. Ontario LP

- It is legally right to establish an Ontario LP with only one member as the General and Limited Partner?
  - No, because a partnership is defined as being a relationship of two or more persons with a view to profit
  - This structure could have negative consequences
- Ontario does not offer full shield protection

# Is a BC LLP the right for you?

A BC LLP is a very flexible company suitable for most kind of (online) businesses. It is the right for you if you want:

- Less bureaucracy
- No corporate tax
- Good reputation
- Limited liability - Full shield protection
- Low formation and maintenance costs

**We help you to form your LLP!**



**Do you have any questions?**