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PREPARED BY MERITAS LAWYERS IN CANADA

*WILLIAM HINZ, EDITOR
BRAZEAUSSELLER.LLP*



Published by Meritas, Inc. • 800 Hennepin Avenue, Suite 600
Minneapolis, Minnesota 55403 USA

+1.612.339.8680 | +1.612.337.5783 FAX | WWW.MERITAS.ORG

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DOING BUSINESS IN CANADA

This publication has been prepared to provide an overview to foreign investors and business people who have an interest in doing business in Canada. The material in this publication is intended to provide general information only and not legal advice. This information should not be acted upon without prior consultation with legal advisors.

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CND Canadian Dollar

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The global financial crisis of 2008 and 2009 revealed the strengths and weaknesses of the world's financial systems. It is universally recognized that Canada's well-regulated financial institutions proved to be a model of prudence to the world. While the Canadian and American economies are interrelated, Canada has forged its own path to become a leader in reducing barriers to global commerce. Canada offers a stable and potentially lucrative market for international businesses and investors.

Over 90% of Canadians live within 160 kilometers (100 miles) of the U.S.-Canada border. As a result, Canada and the United States share many economic imperatives and cultural influences. The economic and material aspirations and realizations of the Canadian and U.S. populations are strikingly similar.

From a historic perspective, however, Canada remains significantly different than the United States. Canada today is a highly multicultural society which generally respects and enshrines cultural heritage rather than encouraging the population to form a homogeneous melting pot. Colonized by the British and French, Canada remains a bilingual country; English and French are the two official languages. Approximately 59% of the population has English as their mother tongue while about 23% of the population is French-speaking (mostly in the province of Québec). The remaining 18% speak other languages.

Canada remains an attractive location for the establishment or expansion of business in North America. During the past decade, there has been a marked trend toward fiscal conservatism. Federal and provincial governments made serious efforts to reduce deficits and balance budgets. Budget surpluses have been achieved on the federal level and in many provinces. Inflation and interest rates have remained low.

Except in certain industry-specific situations where cultural values are at risk, Canada is receptive to foreign investment. Despite its relatively small population, Canada is one of the strongest trading nations in the world. Although historically Canada was an exporter of raw materials and an importer of manufactured goods, shipments from Canada are now balanced between raw materials and finished goods. In addition, Canada is recognized internationally as a world leader in such areas as fibre optics and telecommunications.

This book provides a general overview as of July 2013 of particular matters of interest to businesses considering entry into the Canadian market. Where appropriate, descriptions of both federal and provincial laws are provided. However, this book should not be considered an exhaustive review, and

particular businesses may be subject to industry-specific legislation and other legal requirements which are not dealt with in this book. Accordingly, before undertaking any business transaction involving entry into Canada, it is prudent to seek the advice of counsel.

1. WHAT LAWS INFLUENCE THE RELATIONSHIP BETWEEN LOCAL AGENTS AND DISTRIBUTORS AND FOREIGN COMPANIES?

Foreign companies doing business in Canada will be influenced by legislation, the common law and various international treaties. Canada's Constitution creates mutually exclusive jurisdictions for federal and provincial legislation. For example, Canada's intellectual property, competition, bankruptcy and criminal laws are solely within the purview of the federal government. Provincial legislative authority is granted for the regulation of trade and commerce, education and health within the province. However, the jurisdictional distinctions are often blurry, and the subject matter of federal and provincial legislation sometimes overlaps. In addition, Canada has entered into many international trade and tax treaties with other countries which will influence foreign companies doing business in Canada.

2. HOW DOES THE CANADIAN GOVERNMENT REGULATE COMMERCIAL JOINT VENTURES BETWEEN FOREIGN INVESTORS AND LOCAL FIRMS?

Legislation by the federal government and each of the provincial governments regulates ventures between foreign investors and local firms, including agents and distributors. From a contracting perspective, there is no material distinction between business parties who are foreign and those who are local.

The foreign investor will have to comply with the direct investment provisions noted below in question 3 and discussed in more detail in the Foreign Investment & Merger section of this Guide.

In addition, many obstacles to foreign investment have been removed as a result of the various free trade agreements that Canada has negotiated with other countries, such as the North American Free Trade Agreement discussed in detail in the International Trade section of this Guide.

3. WHAT ROLE DOES THE GOVERNMENT OF CANADA PLAY IN APPROVING AND REGULATING FOREIGN DIRECT INVESTMENT?

Non-Canadians who acquire control of an existing Canadian business or who wish to establish a new unrelated Canadian business are subject to the federal Investment Canada Act (ICA). In either case the non-Canadian investor must submit either a Notification or an Application for Review to the federal government. A Notification must be filed each and every time a non-Canadian commences a new business activity in Canada and each time a non-Canadian acquires control of an existing Canadian business where the establishment or acquisition of control is not a reviewable transaction. Only in certain circumstances does the ICA seek to review or restrict new investments by non-Canadians. In general terms, the transactions which are subject to review under the ICA are larger transactions, and transactions in certain politically and culturally significant sectors (as noted below in question 5). Securities transactions and venture capital deals, acquisitions of control in connection with realization on security, certain financing transactions and certain direct and indirect acquisitions of control by insurance companies are exempt from the ICA. For all other transactions a Notification needs to be filed.

More detailed information on the ICA and direct investment in Canada can be found in the Foreign Investment & Merger section of this Guide.

4. CAN FOREIGN INVESTORS CONDUCT BUSINESS IN CANADA WITHOUT A LOCAL PARTNER? IF SO, WHAT CORPORATE STRUCTURE IS MOST COMMONLY USED?

There is nothing preventing a foreign investor from conducting business in Canada without a local partner. All businesses, foreign or local, must register in the appropriate jurisdiction to conduct business; however, these are administrative filings.

Most foreign investors, however, would incorporate a new company in a Canadian jurisdiction in order to carry on their business. This Canadian subsidiary may be a standard limited liability corporation or it might be an unlimited liability corporation, depending on the tax characteristic of the parent's jurisdiction. More detailed information on the forms of business organization in Canada can be found in the Forms of Business Organization section of this Guide. In addition, the taxation of foreign investors and their Canadian subsidiaries is discussed in detail in the Taxes and Duties section of this Guide.

5. WHAT STEPS DOES THE CANADIAN GOVERNMENT TAKE TO CONTROL MERGERS AND ACQUISITIONS WITH FOREIGN INVESTORS OF ITS NATIONAL COMPANIES OR OVER ITS NATURAL RESOURCES AND KEY SECTORS (E.G., ENERGY AND TELECOMMUNICATIONS)?

As discussed in question 2, non-Canadians who acquire control of an existing Canadian business, or who want to establish a new unrelated Canadian business, are subject to the federal Investment Canada Act (ICA). The transactions subject to review include businesses within a prescribed type of business activity that is related to Canada's cultural heritage or national identity, and transactions where the Minister responsible has reasonable grounds to believe that an investment by a non-Canadian could be injurious to national security. Notice of the transaction is given to the Review Division of Industry Canada. When a transaction is reviewable under the ICA, the investor is required to file an extensive pre-closing filing called an Application for Review with supporting documents. When a review is conducted, the investor is prohibited from closing the transaction until the Minister's approval is obtained. Investment reviews under the ICA proceed in tandem with reviews under the Competition Act.

Merger or antitrust review and prenotification in Canada are governed by the Competition Act. Mergers that exceed a certain size threshold require the Commissioner of Competition to be notified prior to completion. Whether a notification filing is required is determined by the value of the assets in Canada and the annual gross revenues from sales in, from or into Canada of the parties to the transaction, and of the target corporation itself.

There are sectors in Canada, such as telecommunications and other broadcast-related sections, that have ownership restrictions imposed by the federal government. In addition, Canada has anti-dumping legislation which imposes duties to prevent unfair competition with domestic Canadian goods.

More detailed information on the direct investment and competition laws in Canada can be found in the Foreign Investment & Merger section of this Guide.

6. HOW DO LABOUR STATUTES REGULATE THE TREATMENT OF LOCAL EMPLOYEES AND EXPATRIATE WORKERS?

For employers in Canada, the employment relationship is governed by various federal and provincial acts that provide minimum standards for most employees. In most cases, individual or collective agreements will be governed by these minimum standards. Accordingly, Canada cannot be considered a jurisdiction in which there is employment at will. There are minimum standards which mandate that employees are entitled to receive either notice of the termination of their employment or pay in lieu of notice if their employment is terminated without cause. The legislative requirements are minimum standards only and do not restrict an employee's right to sue for breach of contract, wrongful dismissal or other damages arising from the termination of his or her employment. In the absence of a written contract to the contrary, termination of employment without cause generally requires significantly longer notice periods than those provided by the legislation. Appropriate reasonable notice periods have been established by common law through the litigation process on a case-by-case basis. The courts consider various factors, including the employee's age, length of service, position, remuneration, how the employee came to be employed, their chance of finding replacement employment and the manner of dismissal. The judge will consider all of these factors to determine the appropriate "reasonable notice" period.

Reasonable notice established by the common law in Canada often greatly exceeds the obligations of U.S. employers to their employees. The grounds for termination for cause in Canada are also very limited and reserved for the most serious misconduct (for example, where the termination results from acts of dishonesty of the employee, or where the employee has been warned in writing various times and provided with assistance, yet continues to perform below expectations).

More detailed information on employment law in Canada can be found in the Employment Law section of this Guide. In addition, more detailed information on business visitors (temporary residents), temporary workers, professional workers under the various international trade agreements and permanent residents can be found in the Immigration Restrictions section of this Guide.

7. HOW DO LOCAL BANKS AND GOVERNMENT REGULATORS DEAL WITH THE TREATMENT AND CONVERSION OF LOCAL CURRENCY, REPATRIATION OF FUNDS OVERSEAS, LETTERS OF CREDIT AND OTHER BASIC FINANCIAL TRANSACTIONS?

Banking, currency and negotiable instruments are regulated uniformly in Canada by the federal government. Specifically, all banks in Canada are regulated by the federal government. *The Bank Act*, S.C. 1991, c. 46 is the main federal statute which regulates Canadian banking. Canadian banks are divided into three distinct categories. Schedule I banks are domestic banks that are allowed to accept deposits which may be eligible for deposit insurance. Schedule II banks are foreign bank subsidiaries that are authorized to accept deposits which may be eligible for deposit insurance. Foreign bank subsidiaries are controlled by eligible foreign institutions. Schedule III banks are foreign bank branches of foreign institutions that are authorized to do banking business in Canada.

8. WHAT TYPES OF TAXES, DUTIES AND LEVIES SHOULD A FOREIGN INVESTMENT IN CANADA EXPECT TO ENCOUNTER?

When doing business in Canada, you can expect to encounter sales and transfer taxes, income and capital taxes, and custom and excise duties.

Canada has a 5% goods and services tax (GST) which applies to most goods and services on the purchase price. Those engaged in commercial activity in Canada having worldwide sale of goods and services subject to GST greater than CND30,000 per year must register to collect GST. Registration entitles businesses to input tax credits (ITCs) equal to the full amount of GST paid by them on all business purchases. Some nonresidents carrying on business in Canada are also required to register to collect GST. Most Canadian provinces charge a sales tax ranging between 5% and 10% on tangible property and certain services. Harmonized Sales Tax (HST) has been implemented in Nova Scotia, New Brunswick, Newfoundland, British Columbia and Ontario. HST applies to all goods and services that are subject to GST and ranges between 12% and 15%. Registrants for HST are entitled to claim ITCs. The province of Québec administers its own sales taxes together with the GST. The rate of the Québec sales tax is 9.975%. In addition, a land transfer tax, ranging from .02% to 2%, is payable on the acquisition of real property in each province.

Canada imposes a federal income tax on nonresidents who conduct business or sell real property in Canada. Canada also imposes a federal nonresident withholding tax on certain Canadian source payments. This requirement can be waived if the non-resident is carrying on business through a permanent establishment. Canada has entered into bilateral treaties with many countries which contain tax relief provisions. A foreign tax credit may be available in the nonresident's own jurisdiction. A corporation incorporated in Canada will be considered a resident of Canada for income tax purposes. This means the corporation will be subject to Canadian income tax on its worldwide income. Foreign businesses can also be carried on through branch operations. Provinces and territories typically impose income tax on corporations carrying on business within the province and some impose a capital tax on corporations.

All goods entering Canada go through a customs inspection at the point of entry. Documentation accompanying goods ascertains the transaction value of the goods (the price paid for the goods by the importer, subject to adjustments for royalties, shipping fees and transportation). The amount of customs duty is determined by the customs tariff that sets out a specific list describing the class of goods and setting out the corresponding rate of duty. Member countries of North American Free Trade Agreement (NAFTA) receive a preferential duty rate. Imported goods, such as alcohol and tobacco, are subject to a special duty under the customs tariff that is equal to the excise duty paid by Canadian producers.

There are special anti-dumping duties for imported goods sold in Canada at prices that are below the prices in the home market. Dumping occurs when the "normal value" of the imported goods exceeds the "export price." These anti-dumping duties are imposed to provide Canadian producers with relief from unfair import competition.

More detailed discussion of this topic can be found in the Taxes and Duties section of this Guide.

9. HOW COMPREHENSIVE ARE THE INTELLECTUAL PROPERTY LAWS OF CANADA, AND DO THE LOCAL COURTS AND TRIBUNALS ENFORCE THEM OBJECTIVELY, REGARDLESS OF THE NATIONALITY OF THE PARTIES?

Canada offers a fully developed and modern intellectual property law regime. Through federally based legislation that governs the acquisition and enforcement of intellectual property rights throughout Canada, parties are able to register and protect all aspects of intellectual property, including trade-marks, copyright, patents of invention and industrial designs. Canada is also a party to all of the major world intellectual property law treaties and conventions, including the Patent Cooperation Treaty, the Berne Convention and the various World Intellectual Property Organization treaties. Parties, including those based in foreign jurisdictions, have the ability to enforce their intellectual property rights in either the superior courts of the Canadian provinces, or, more often, in the Federal Court of Canada, which courts are required to enforce Canada's laws fairly and objectively, regardless of a party's national origin.

A more detailed discussion of this topic can be found in the Intellectual Property section of this Guide.

10. IF A COMMERCIAL DISPUTE ARISES, WILL LOCAL COURTS OR ARBITRATION OFFER A MORE BENEFICIAL FORUM FOR DISPUTE RESOLUTION TO FOREIGN INVESTORS?

Whether or not foreign investors will benefit more from bringing a dispute to private arbitration or to the courts will depend on the nature of the dispute. For example, a foreign investor may benefit from having a complex commercial matter arbitrated privately, as the parties can attempt to select an arbitrator who has experience and knowledge related to the subject matter at issue. Private arbitration can also be beneficial because it is generally a much faster process than court proceedings. In either case, Canadian law, and in particular Canada's Charter of Rights and Freedoms, guarantees equality under the law, which extends to foreign participants in court or arbitration proceedings, such that neither party to a dispute should benefit (or suffer) from the fact of their national origin.

This section provides a general overview of immigration solutions for foreigners entering Canada as business visitors or temporary workers, including basic information about the visa application and work permit application process in Canada. The application of immigration rules varies based on several factual and personal factors. Therefore, eligibility for temporary status or permanent residence must be evaluated on a case-by-case basis.

BUSINESS VISITORS (TEMPORARY RESIDENTS)

The admissibility of a foreigner to enter Canada as a tourist or business visitor is governed by the Immigration and Refugee Protection Act and its Regulations.

Any foreigner wishing to enter Canada must be admissible and must be in possession of a valid travel document. Possible grounds of inadmissibility are the commission of or conviction for a criminal offense, the involvement in criminal activity, human rights violations or organized crime, national security or public health concerns, or financial reasons.

Generally, business visitors must maintain their principal residence abroad, they must be able to sustain their financial needs for the entire duration of their temporary stay, and they must intend to leave Canada at the end of their authorized stay.

Citizens of certain countries and territories are required to obtain a temporary resident visa from the Canadian Embassy or Consulate with jurisdiction over their place of residence before they can enter Canada. Citizens of the United States and citizens of most Western European countries do not need a temporary resident visa and they may apply for admission directly at a port of entry, provided that the general criteria for visitors are met.

In some situations, based principally on the country of usual residence for the 12 months preceding the application to enter Canada and the expected length of stay in Canada, applicants may be required to undergo a medical examination prior to being allowed to enter Canada.

Business visitors are generally admitted for an initial maximum period of six months, which can be extended depending on the specific activities to be performed by the foreigner, provided that the general criteria for business visitors are still met.

ADMISSIBLE ACTIVITIES

As a general rule, business visitors may not engage in productive employment or receive compensation in Canada, nor can they undertake activities for which compensation is accrued in Canada, unless specifically authorized by law or regulations.

Generally, business visitors are allowed to perform the following activities that do not constitute work:

- Buying of goods, including familiarization with the goods to be purchased and attending training sessions as per the same
- Performing market studies, selling of goods, and follow-up sales calls and meetings
- Attending business meetings, seminars, conferences or conventions

In addition to these generally admissible activities, the North American Free Trade Agreement (NAFTA) provides for extended privileges. Indeed, citizens of the United States and Mexico may be allowed to perform some activities ranging from research and design, to marketing, sales, distribution and after-sales services.

In limited circumstances, foreign visitors may be authorized to perform temporary activities that would constitute work. These activities are further explored below.

TEMPORARY WORKERS

Every year, over 90,000 foreign workers enter Canada temporarily to help Canadian employers address skills shortages. The ability for foreign citizens to work in Canada is also governed by the Immigration and Refugee Protection Act and its Regulations. As a general rule, work may not be performed by a foreign national who is not a citizen or a permanent resident of Canada unless specifically authorized by the Act and its Regulations. However, the temporary entry of foreign nationals, for the purpose of engaging in an activity that constitutes work, may be facilitated under the Act and its Regulations, under NAFTA, the General Agreement on Trade in Services (GATS), the Canada Chile Free Trade Agreement (CCFTA) or other multilateral or bilateral agreements.

WORKING WITHOUT A WORK PERMIT

In very limited circumstances, a foreign national may be authorized to perform a certain type of work without having to obtain a work permit. The general criteria are that there must be no intent to enter the Canadian labour market, the activity of the foreign worker must be international in scope, the worker's source of remuneration is outside Canada and the actual place of accrual of profits is located outside Canada.

Included in this category are persons providing after-sales services in relation to commercial or industrial equipment manufactured abroad (provided that the service contract has been negotiated as part of the original sales agreement or is an extension of the original agreement), persons performing services pursuant to warranty agreements in relation to the same, persons providing intra-company training or installation services, employees of foreign companies contracting Canadian companies and who are controlling or inspecting the work performed by the Canadian contractor, some performing artists, athletes and coaches, news reporters, public speakers, convention organizers, and some students either for on-campus employment or unpaid health care students.

WORK PERMITS REQUIRING HUMAN RESOURCES AND SOCIAL DEVELOPMENT CANADA (HRSDC) CONFIRMATION

In other circumstances, a foreigner must normally become either a landed immigrant or obtain a valid work permit to be entitled to work in Canada.

In itself, the fact that a person is paid by a foreign entity does not waive the obligation to obtain a work permit. Furthermore, if a foreign entity owns or controls a Canadian business, such ownership does not confer upon the owner the right to staff that Canadian business with citizens of its country of origin.

In order to obtain a work permit, a Canadian employer must first confirm its temporary job offer to the foreign worker. The general rule is that the issuance of such work permit will have either a neutral or positive effect on the local labour market, which must be confirmed by Human Resources and Social Development Canada (HRSDC). The regulations provide HRSDC with broad discretion, although they will take into consideration factors such as the availability of Canadian citizens or permanent residents willing and able to fill the position, whether or not the foreigner will transmit knowledge and know-how onto local workers, and whether the temporary presence of the foreign worker is likely to create additional job opportunities to the benefit of Canadians or permanent residents.

After the issuance of a favorable opinion by HRSDC, the foreign worker may apply for a work permit to Citizenship and Immigration Canada (CIC). Additional steps may be required by provincial authorities prior to applying to CIC. In addition, it is important to note that the regulations were modified to include a limit on the total period of stay. More precisely, unless exempted from such limitation, the total stay should not exceed four years.

Specific instructions are in place for workers in the film and entertainment industry, academics and agriculture. Several programs have also been developed to address special needs including the Seasonal Agricultural Workers Program, the Low-Skill Pilot Program, the Live-In-Caregiver Program and the provincial occupations under pressure lists.

WORK PERMITS WITHOUT HRSDC OPINION

Aside from all work permits that require a positive opinion by HRSDC, the Act and its Regulations have incorporated facilitating dispositions for certain types of workers, based on the provisions and principles set forth by NAFTA, GATS, CCFTA or other international agreements. The most commonly used categories of work permits are described hereinafter. This is not an exhaustive list and many solutions may be contemplated by foreigners wishing to be authorized to work in Canada, whether temporarily or on a permanent basis.

Intra-Company Transfers

The intra-company transfer category is ruled by the Act and it is complemented by the provisions of NAFTA and GATS. It was created to enable multinational corporations to temporarily benefit from the expertise and know-how of qualified employees for the purpose of improving the competitiveness of Canadian entities.

Intra-company transfers occur where foreign corporations second individuals to a Canadian parent, subsidiary, branch or affiliate. Intra-company transferees may apply for work permits without the issuance of a positive opinion by HRSDC if:

- They are seeking entry to work at a parent, subsidiary, branch or affiliate of a multinational company
- Such multinational entity must do business on a permanent and continuous basis both in Canada and abroad
- The role offered must be in an executive, senior managerial or specialized knowledge capacity
- They have been employed by the company outside Canada in a similar full-time position for one continuous year in the three years prior to applying for such benefit and they are employed by such foreign entity at the time of the application
- They are coming to Canada for a temporary period
- They comply with all immigration requirements for temporary entry

A work permit issued under this category or any other will have a definite term. It may be issued initially for any period up to three years, and extensions may be approved up to a total of seven years depending on the citizenship of the foreign worker, the nature of the position occupied in Canada and the international treaty that applies. Beneficiaries may be authorized to extend their work permits beyond the limit if they have been out of the country for a certain time. Indeed, days spent abroad can be “recaptured.”

Professionals under NAFTA

Under NAFTA, certain professionals may be authorized to perform temporary work in Canada either as a salaried employee or through a contract with an employer in a foreign country provided the employment is in a profession that qualifies and the worker possesses the educational and experience requirements to occupy this position. These professions and eligibility criteria are listed in Appendix I603.D.1 to NAFTA. Professionals entering Canada pursuant to this provision could normally obtain a work permit valid for three years, which may be extended in three-year increments. There is no cap on extensions provided that the foreign worker is still in Canada temporarily. Such a work permit does not exempt the applicant from having all relevant Canadian qualifications, certifications and licenses which are required for practice in any particular Canadian jurisdiction.

NAFTA only applies to citizens of the United States or Mexico. It does not extend to green card holders.

Professionals Under CCFTA

Like professionals under NAFTA, the CCFTA similarly provides for the issuance of work permits to citizens of Chile who wish to perform temporary work in Canada, either as a salaried employee or through a contract with an employer in a foreign country, provided the offered employment is in a profession that qualifies and the worker possesses the educational and experience requirements to occupy this position. These professions and eligibility criteria are listed in Appendix K-03.IV.1 to CCFTA and are very similar to the NAFTA listing. However, educational requirements have been adapted to reflect the Chilean educational system. Professionals entering Canada pursuant to this provision would normally obtain a one-year work permit, which may be extended in one-year increments. There is no cap on extensions provided the foreign worker is still in Canada temporarily. Such a work permit does not exempt the applicant from having all relevant qualifications, certifications and licenses that may be required for practice in any particular Canadian jurisdiction.

Professionals under GATS

The GATS provisions provide for the issuance of temporary work permits for the benefit of certain professionals whose services are required in Canada for a maximum period of three months in any given 12-month period. The professions covered are very limited and both the activity sector and the foreign worker's country of citizenship must be covered by the agreement for this category of work permit to be applicable.

Significant Benefits to Canada

The law and regulations authorize certain applicants to apply for a work permit without HRSDC's positive opinion where the benefits to Canada of the foreigner's temporary presence are obvious. These provisions apply only in very limited circumstances where the social, cultural or economic benefits to Canada of issuing a work permit are clear and of major importance, so that the burden to establish that there is no negative impact to the local labour market can be overcome.

Spouses of Foreign Workers

Spouses or common-law partners of temporary workers in Canada are generally authorized to accompany the principal applicant as long as they satisfy all admission requirements. The definition of spouse includes common-law partners of the opposite and same sex. Generally, common-law partners must demonstrate 12 months of cohabitation and other evidence of the relationship.

Spouses of skilled workers may qualify for the issuance of an open work permit without a positive opinion from HRSDC if the following conditions are met:

- The principal foreign worker must be doing work which is at a level that falls within National Occupational Classification (NOC) Skill Levels 0, A or B
- These skill levels include management and professional occupations, and technical or skilled tradespersons
- The principal foreign worker must generally hold a work permit that is valid for a period of at least six months

PERMANENT RESIDENTS

All work permits are issued for temporary periods and they do not entitle foreigners to establish themselves permanently in Canada, nor to accede directly to the status of permanent resident. The Canadian government has not set a limited quota on the number of immigrants that may be admitted each year from any particular country or region of the world. However, it establishes objectives and guidelines that govern the criteria for the selection of immigrants as enacted in the laws and regulations. In addition to the federal programs, each province has the authority to implement provincial immigration programs (referred to as Provincial Nominee Programs) which are more suited to a province's particular needs in terms of human resources.

Generally, permanent residence may be granted to two principal classes of immigrants, the Economic Class and the Family Class.

THE ECONOMIC CLASS

Annually, Canada admits approximately 150,000 workers in the Economic Class, which comprises skilled workers, the skilled workers under Provincial Nominee Programs, as well as business immigrants (entrepreneurs, investors or self-employed workers). Using a point system which differs upon the specific category under which the prospective immigrant applies, each candidacy is assessed according to various factors that will indicate whether it is highly likely that the principal applicant and all his family members will successfully integrate into Canadian society. Preference will be given to applicants who possess employment skills and experience compatible with occupations for which manpower is needed. In some cases, the process will favor applicants with approved permanent job offers, or business immigrants who contribute to the economic, cultural, artistic or athletic life in Canada.

THE FAMILY CLASS

Generally, under the Family Class, Canadian citizens or permanent residents 18 years or older may sponsor their spouse, common-law partner or conjugal partner, including same sex spouses or partners, their child under the age of 22 or any dependent child, their adopted child, their mother or father, grandmother or grandfather. Under limited circumstances, other relatives may be sponsored.

GENERAL CRITERIA

In addition to qualifying under any Class, prospective immigrants are required to pass a medical examination and to undergo a criminal background check. With some exceptions, applicants must also possess sufficient funds to sustain their needs upon arrival, an amount that may vary between CND10,168 and CND26,910 depending on the specific Class of admission and the size of the family. Additional amounts may be required for families of more than seven members.

Possible grounds of inadmissibility are the commission of or conviction for a criminal offense, the involvement in criminal activity, human rights violations or organized crime, national security or public health concerns, or financial reasons.

PERMANENT RESIDENT CARD

Since 2002, CIC issues each immigrant a Permanent Resident Card (PRC) as evidence of the immigrant's permanent resident status in Canada. The PRC replaces the document known as the IMM 1000 previously issued to permanent residents. The rationale behind the PRC includes better border security, improving the integrity of the immigration process, and providing holders with

secure proof of their permanent residence status when reentering Canada on any commercial carriers (plane, train, boat and bus).

As of 31 December 2003, all permanent residents returning from international travel on commercial carriers must show their PRC to reenter Canada. Holders of the old IMM 1000 who intend to return to Canada must obtain a PRC before departure or request a travel document in order to be admissible for reentry.

In order to maintain the validity of their status, permanent residents must generally comply with the residency requirement. More precisely, they should accumulate two years of physical presence in Canada in every five-year period since the issuance of their PRC.

For additional information, consult Citizenship and Immigration Canada's website: <http://www.cic.gc.ca/> or speak to a qualified legal professional.

Canada has become a world leader in reducing global trade barriers. Free trade with the United States and Mexico and freer trade with other countries have lowered many of the barriers to entering into the Canadian market. Canada, with its rich resources and vibrant marketplace, presents many opportunities for foreign businesses and investors. The foreign investor is encouraged to explore the competitive advantages of Canada. Sensitivity to the cultural, administrative and legislative differences in Canada will assist an enterprise's entrance into the Canadian market.

Through the general information provided in this book, we have attempted to illustrate the highly multicultural society that is Canada and to provide an overview of some of the main issues faced by foreign businesses and investors in Canada. It is important for foreign businesses and investors wishing to invest in Canada or enter into trade with Canadian businesses to understand the laws and culture of this country and to seek the advice of counsel at the appropriate time.

ALBERTA

McLennan Ross LLP

1000 First Canadian Centre
350 - 7th Avenue SW
Calgary T2P 3N9

James L. Lebo, Q.C.

jlebo@mross.com
Tel: +1 (403) 543-9120
www.mross.com

McLennan Ross LLP

600 West Chambers
12220 Stony Plain Road
Edmonton T5N 3Y4

Charles P. Russell, Q.C.

crussell@mross.com
Tel: +1 (780) 482-9200
www.mross.com

BRITISH COLUMBIA

Boughton Law Corporation

PO Box 49290
Suite 700 - 595 Burrard Street
Three Bentall Centre
Vancouver V7X 1S8

James M. Coady

jcoady@boughton.law.com
Tel: +1 (604) 687-6789
www.boughton.law.com

MANITOBA

Pitblado LLP

2500 - 360 Main St
Winnipeg R3C 4H6

Joseph D. Barnsley

barnsley@pitblado.com
Tel: +1 (204) 956-0560
www.pitblado.com

NEW BRUNSWICK

Lawson Creamer

133 Prince William St., Suite 801
Saint John E2L 2B5

Gary Lawson

glawson@lawsoncreamer.com
Tel: +1 (506) 633-3737
www.lawsoncreamer.com

NEWFOUNDLAND & LABRADOR

Ottenheimer|Baker

10 Fort William Place, 6th Floor
PO Box 5457
St. John's A1C 5W4

Robert Andrews, Q.C.

randrews@ottenheimerbaker.com
Tel: +1 (709) 722-7584
<http://ottenheimerbaker.com>

NORTHWEST TERRITORIES

McLennan Ross LLP

1001 Precambrian Building
4920 - 52nd Street
Yellowknife X1A 3T1

Glenn D. Tait

gtait@mross.com
Tel: +1 (867) 766-7677
www.mross.com

NOVA SCOTIA

Wickwire Holm

2100-1801 Hollis Street
PO Box 1054
Halifax B3J 2X6

Michael Kennedy

mkennedy@wickwireholm.com
Tel: +1 (902) 429-4111
www.wickwireholm.com

ONTARIO

Harrison Pensa LLP

450 Talbot Street
PO Box 3237
London N6A 4K3

Christian J. Hamber
chamber@harrisonpensa.com
Tel: +1 (519) 679-9660
www.harrisonpensa.com

BrazeauSeller.LLP

750-55 Metcalfe Street
Ottawa K1P 6L5

Fred E. Seller
fseller@brazeauseller.com
Tel: +1 (613) 237-4000
www.brazeauseller.com

Minden Gross LLP

145 King Street West
Suite 2200
Toronto M5H 4G2

Kenneth L. Kallish
kkallish@mindengross.com
Tel: +1 (416) 362-3711
www.mindengross.com

PRINCE EDWARD ISLAND

Matheson & Murray

Queen Square
119 Queen Street, Suite 202
Charlottetown C1A 7L9

M. Lynn Murray, Q.C.
lmurray@mathesonandmurray.com
Tel: +1 (902) 894-7051
www.mathesonandmurray.com

QUÉBEC

BCF LLP

1100 René-Lévesque Blvd. West
25th Floor
Montréal H3B 5C9

André Ryan
ar@bcf.ca
Tel: +1 (514) 397-8500
www.bcf.ca

BCF LLP

2828 Laurier Blvd., Suite 1200
Québec City G1V 0B9

Jules Turcotte
jturcotte@bcf.ca
Tel: +1 (418) 266-4500
www.bcf.ca

SASKATCHEWAN

Robertson Stromberg LLP

105 - 21st Street East, Suite 600
Saskatoon S7K 0B3

Christopher J. Donald
cdonald@rslaw.com
Tel: +1 (306) 652-7575
www.rslaw.com



800 Hennepin Avenue, Suite 600
Minneapolis, Minnesota 55403 USA
+1.612.339.8680 www.meritas.org

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