



Canadian Franchise Association™

Growing Together

FRANCHISING IN CANADA



Canadian franchises contribute over **\$100 billion CAD** per year to the Canadian economy and create jobs for more than **1.9 million Canadians**.

Franchising in Canada is the **12th largest** sector of the economy.

A SNAPSHOT OF CANADA

POPULATION
37.59 million

GDP
\$1.709 trillion

GDP GROWTH
1.7% (2019)

GDP RANK
11th



CPI BY REGION

National:	BC:	AB:	ON:	QC:	ATL:
136.6	132.2	143.6	137.9	132.4	138.2

UNEMPLOYMENT RATE

National:	BC:	AB:	ON:	QC:	ATL:
5.9%	5.0%	7.2%	5.6%	5.6%	8.7%

PURCHASING POWER
\$44,051.05

INFLATION RATE
1.9%

EXCHANGE RATE
1.3235 (Jan 31)

BANK OF CANADA Prime Rate
1.75

as of January 31, 2020

ECONOMIC FORECAST FOR FRANCHISING IN CANADA

Canada's franchising sector is strong and continues to grow across Canada.



The Canadian franchise industry is estimated to have almost **1,200 brands** and more than **76,000 franchise locations** across almost **50 different sectors** of the economy, including retail, hospitality, automotive, and health care.

Over the past five years, the number of franchise brands has **grown 23%** and the number of Canadian establishments, both franchised and corporate, has **increased by 4%**.

TAXATION IN CANADA

- Federal and provincial corporate tax rates vary, depending on the industry and type of corporation
- Federal income taxation is levied on resident corporations on their worldwide income
- Provincial taxes vary from 11.5% to 16% (only applicable if a corporation has a permanent establishment in that province)
- A corporation with income attributable to more than one province is subject to taxation in each of the provinces in which it operates
- Franchise fees and royalties paid by Canadian franchisees to foreign franchisors may be subject to Canadian withholding tax
- Under the Income Tax Act (ITA), royalty payments are subject to a 25% withholding tax
- The United States–Canada Income Tax Convention reduces this withholding tax payable to 10%, and U.S. franchisors can apply for a foreign tax credit from the U.S. Internal Revenue Service that is equivalent to the amount paid in Canada

TAX RATES IN CANADA

MARGINAL EFFECTIVE TAX RATES

Canada: 13.7% US: 18.4%

OECD AVERAGE: 18.4%

SALES TAX: Federal VAT: 5%

Provincial: 0 – 9.975 VAT/Sales Tax

FRANCHISE LAW IN CANADA

There is no federal equivalent to the U.S. Federal Trade Commission's Franchise Rule. Instead, franchising is regulated at the provincial level.

Six provinces (British Columbia, Alberta, Manitoba, Ontario, New Brunswick, and Prince Edward Island) have franchise legislation in place.

The legislation adopts the following principles:

1. The disclosure obligation

A franchisor must provide the prospective franchisee with a disclosure document at least 14 days before signing any agreement or receiving any payment.

2. The duty of fair dealing

A duty of fair dealing in the performance and enforcement of the franchise agreement is imposed in accordance with reasonable commercial standards.

3. The right of association

Franchisees have the right to associate with other franchisees and to form or join an organization of franchisees without penalty or interference from the franchisor.

4. Rights cannot be waived

Rights given to a franchisee and obligations imposed on a franchisor cannot be waived.

5. Franchising in Québec

While Québec has no franchise-specific legislation, it operates under the Civil Code of Québec and the Charter of the French Language.

CANADIAN FRANCHISES ENABLE MORE THAN 76,000 HARDWORKING CANADIANS TO BE THEIR OWN BOSS AS THE OWNER OF THEIR OWN SMALL BUSINESS FRANCHISE LOCATION, SERVING THEIR NEIGHBOURS IN COMMUNITIES ACROSS THE COUNTRY.

ABOUT THE CFA



Canadian Franchise Association™

Growing Together

The Canadian Franchise Association (CFA) is a national, not-for-profit association of more than 700 corporate members representing over 40,000 franchise business owners.

We are the voice of the franchise community and the recognized authority on franchising in Canada. We speak for a business sector that represents every industry and touches the lives of every Canadian, in every community across the country.

Our purpose is to help everyday Canadians realize the dream of building their own business through the power and opportunity of franchising.

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Learn more about CFA membership

Contact **Lou Gervasi**, Senior Manager, Development & Member Relationships, at lgervasi@cfa.ca or 1-800-665-4232 x 243.