

Understanding Business Structures in Québec



Before launching operations in Québec, a business must select a legal form suited to its objectives, size and governance structure. It has the option of incorporating under provincial or federal legislation—each offering distinct advantages in terms of governance, residency of directors, administrative flexibility and compliance—or operating as a partnership governed by the Civil Code of Québec or a sole proprietorship. Other structures, such as co-operatives or trusts, might also be suitable.

1. Business Corporations

A business corporation is the most common structure for companies seeking to generate value while limiting shareholder liability. Subject to certain conditions and restrictions, a corporation's shares grant holders rights, privileges and conditions that enable them to benefit from share appreciation.

In Québec, business corporations are created and governed by the [Québec Business Corporations Act \(QBCA\)](#). Under the federal system, they are created and governed by the [Canada Business Corporations Act \(CBCA\)](#).

▼ Important

Whether federally or provincially incorporated, business corporation can do business anywhere in Canada. However, provincially incorporated companies must register in each province where they operate in accordance with applicable provincial corporate registration rules.

The table below highlights some of the differences between the two incorporation regimes.

	CBCA (Canada)	QBCA (Québec)
Residency of directors	At least 25% of directors must be resident Canadians—if fewer than three directors, at least one must be a resident Canadian	No Canadian residency requirement
Shareholder meetings	In Canada	Can be held outside Québec if permitted by the articles or if all the shareholders agree
Head office	In Canada	In Québec
Financial tests applicable to distributions and return of capital	Must pass a solvency test and balance sheet test	In many situations, only the solvency test is required

Governance and Liability

A business corporation generally has unlimited authorized share capital, enabling it to issue shares as needed. This authorized share capital may be divided into different classes of shares, each with distinct rights and privileges. Corporations are administered by one or more directors, who are appointed at the annual shareholders' meeting. These directors then appoint the officers responsible for the corporation's day-to-day management (e.g., chair, secretary).

Directors have a duty to act with prudence, diligence, honesty and loyalty, and may be held liable for:

- Regulatory offences (e.g., unpaid wages, illegal dividends, failure to withhold and remit source deductions)
- Criminal offences (e.g., breaches of environmental protection laws)

Corporations typically carry directors and officers liability insurance.

Processing Time and Filing Obligations

Creating a corporation in Québec is fast and simple. The **Registraire des entreprises** is the authority responsible for overseeing corporations. The incorporation process may take 24 to 48 hours after the application is filed.

After incorporating under the QBCA or registering a federal corporation in Québec, a **Québec Enterprise Number (NEQ)** will be assigned, which is **the official identification number of each enterprise doing business in Québec**. This 10-digit reference number helps simplify dealings between the business and Québec government institutions.

Similarly, federal corporations receive a business number (BN) once incorporated with Corporations Canada. Both the NEQ and BN are used by the federal and Québec tax authorities to identify corporations for taxation purposes. Additional fees apply to obtain Goods and Services Tax (GST) and Québec Sales Tax (QST) numbers.

Corporations must file an annual declaration within the time limit prescribed by regulation confirming whether the information held by the government authorities is accurate or needs to be updated. All Québec corporations must file this annual update declaration with the Registraire des entreprises. The same applies to any other companies registered in Québec, including federally regulated companies, which must also file an annual report with Industry Canada.



Businesses must also provide the Registraire des entreprises with a list of their “ultimate beneficiaries.” The following are considered to be ultimate beneficiaries:

- persons who hold shares carrying at least 25% of the voting rights, or
- persons who hold shares representing at least 25% of the fair market value of all shares issued by the corporation, or
- persons who, through their direct or indirect influence can exercise control over the corporation

Private corporations governed under federal law must, among other obligations, file their register of “individuals with significant control” with Corporations Canada. Like the provincial concept, “individuals with significant control” are defined as:

- persons who hold shares carrying at least 25% of the voting rights, or
- persons who hold shares representing at least 25% of the fair market value of all shares issued by the corporation, or
- persons who, through their direct or indirect influence can exercise control over the corporation

2. Sole Proprietorship

A sole proprietorship is the simplest form of business organization. It is operated by a single individual, often under their own name or a registered trade name. The business owner assumes all of the financial and legal responsibilities of the business, as there is no separation between personal and business assets. This structure is ideal for self-employed workers or small service businesses.

3. Partnerships

Partnerships, which are governed by the Civil Code of Québec, enable two or more persons to associate for the purpose of carrying on a business. They do not have their own juridical personality but are recognized by law and, in most cases, can sue and be sued. There are three types:

- **General Partnership (GP):** In this type, all partners contribute to the partnership, and share in the management, profits and responsibilities.
- **Limited Partnership (LP):** This type includes general partners (active managers) and limited partners (passive investors whose liability is limited to their contributions). Partnerships are often used as investment vehicles due to the favourable tax treatment of gains and losses allocated to partners annually.
- **Undeclared Partnership (Joint Venture):** This type is often used for one-time projects or informal agreements and does not require formal registration. In these partnerships, contributions to the company's general fund are not required.

These three structures provide some flexibility but require a clear understanding between the partners to prevent conflicts.

4. Trusts

A trust is an unincorporated legal arrangement established to manage property for the benefit of beneficiaries. Trusts are often used for tax planning, estate planning or asset protection purposes. Trust creation and management are governed by the **Civil Code of Québec**.

5. Co-operatives

Co-operatives are made up of members who share in the use of the organization's goods and services. Based on the principle of "one member, one vote," each member owns one share and is entitled to one vote. They are especially well-suited for collective projects, social enterprises or rural areas.

6. Non-profit Organizations (NPOs)

NPOs are created to serve a public or community purpose, such as cultural, sports, educational, environmental, and other initiatives. They do not seek to earn a profit and must reinvest any surplus in their operations. They may be incorporated provincially or federally, depending on where they operate.

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