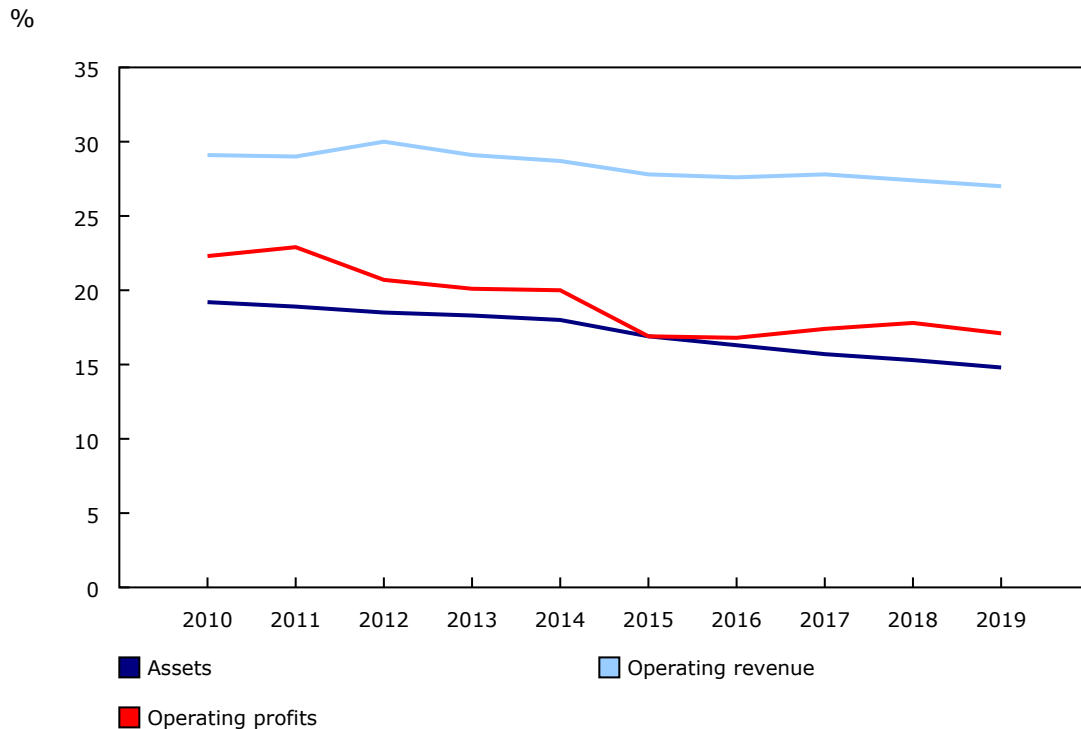


# Foreign control in the Canadian economy, 2019

Released at 8:30 a.m. Eastern time in *The Daily*, Monday, January 31, 2022

Both Canadian (+7.4%) and foreign-controlled (+4.0%) asset values increased in 2019. The foreign-controlled share of assets decreased, from 15.3% in 2018 to 14.8% in 2019. This was the 12th year where the share of assets under foreign control decreased.

**Chart 1**  
**Shares of assets, operating revenue and operating profits under foreign control in Canada, 2010 to 2019**



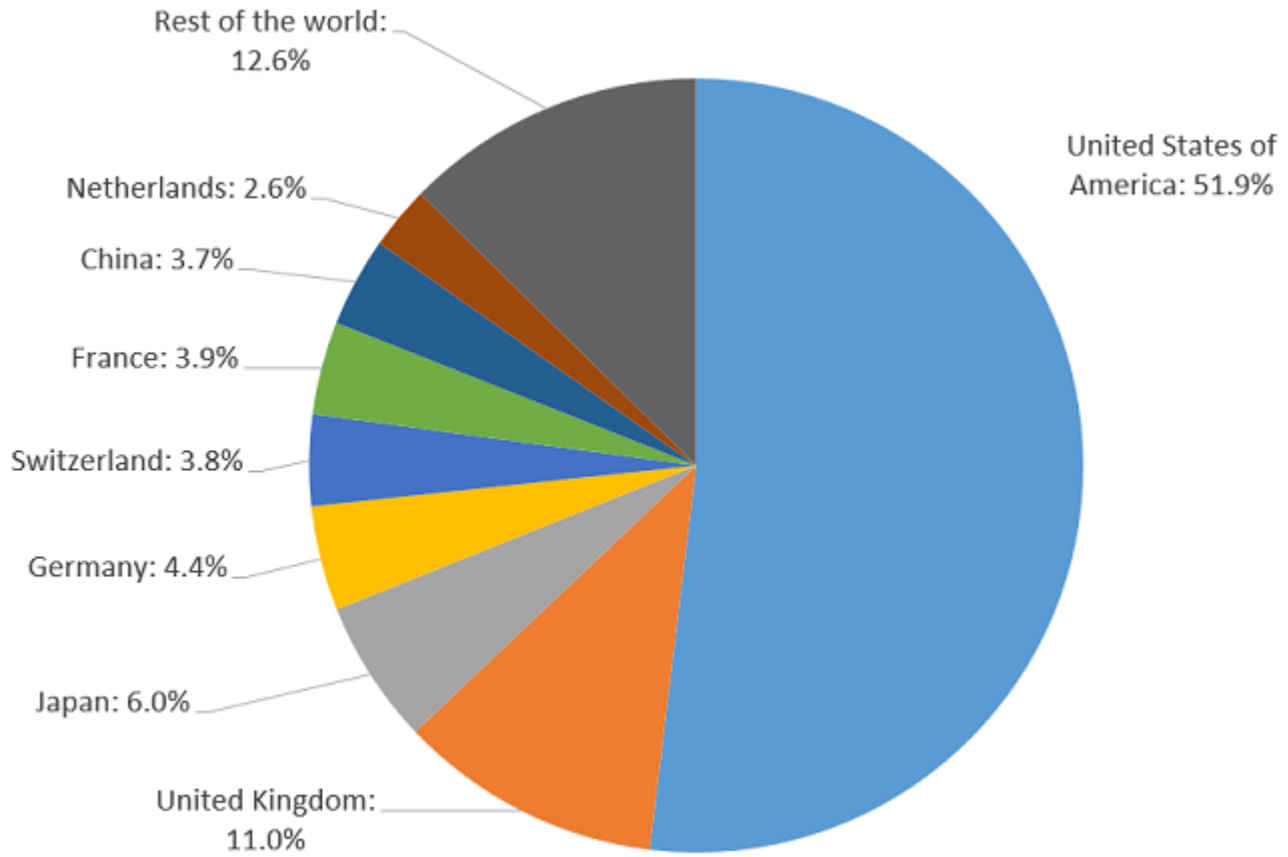
Source(s): Table 33-10-0084-01.

Enterprises controlled from the United States maintained the largest overall share of foreign-controlled assets in Canada (51.9%), followed by the United Kingdom (11.0%) and Japan (6.0%).

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**Infographic 1 – Assets under foreign control by country, 2019, all industries**

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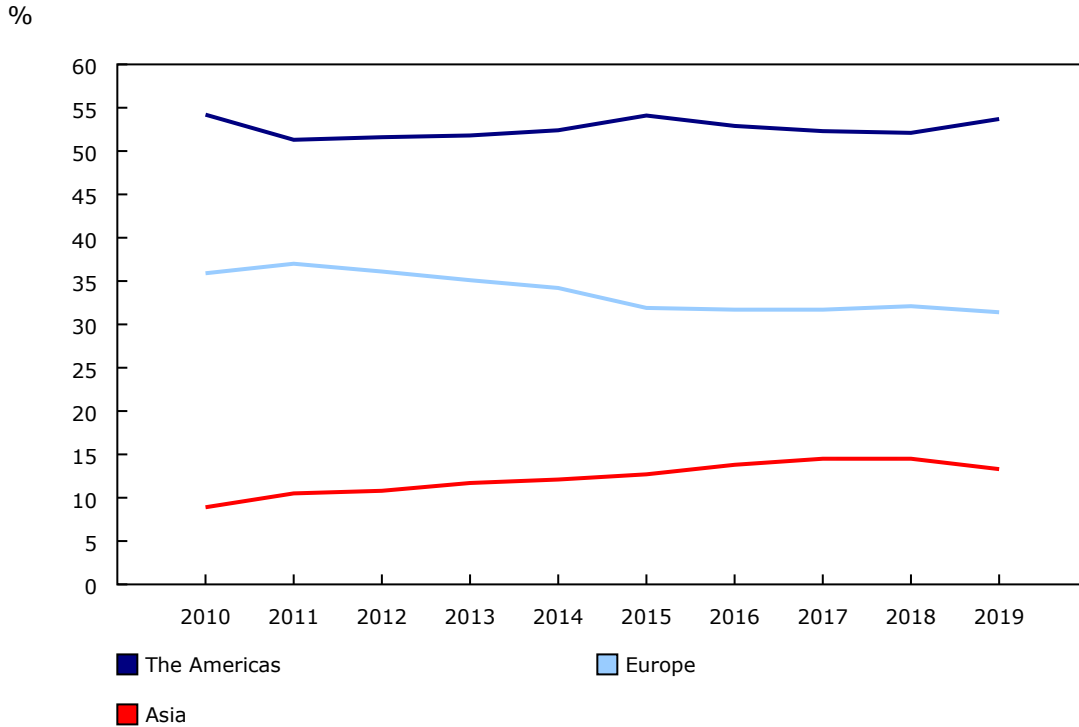


Source(s): Table 33-10-0084-01.

To provide additional geographic-level detail on foreign control in Canada, data have been compiled by macro-region and by country.

In 2019, more than half of all assets under foreign control belonged to enterprises from the Americas macro region (53.7%), followed by Europe at 31.4% and Asia at 13.3%. The share of assets owned by enterprises in the Americas region grew slightly in 2019, whereas the shares of European and Asian controlled enterprises marked a small decline from 2018 levels.

**Chart 2**  
**Shares of foreign-controlled assets by macro-region from 2010 to 2019**



Source(s): Table 33-10-0084-01.

### Provincial incorporation of enterprises under foreign control in Canada

Provincial governments are making continuous efforts to attract multinational enterprises (MNEs) to do business in their province. Although MNEs are relatively few in number, accounting for less than 1% of all enterprises nationally, they contributed 15.3% to the Canadian gross domestic product and employed 18.2% of the total corporate sector workforce, on average, for the years 2016 to 2018 ([Activities of multinational enterprises in Canada](#)).

Corporations under foreign control can gain from an array of business advantages offered by each province. Furthermore, these corporations can choose instead to incorporate at the federal level, to benefit from business supports from the federal government.

This analysis explores data on the rate of incorporation and operation of business entities under foreign control, at the provincial level. It uses data on corporations from the *Corporations Returns Act*, as well as data from Statistics Canada's Business Register, which was used to identify the province of operation. The analysis covers the period from 2016 to 2018 and, unless noted otherwise, statistics presented in this analysis refer to the average of those years.

#### Corporations controlled by US entities have a different provincial incorporation pattern

Data from the *Corporations Returns Act* indicate that 29.6% of all foreign entities in Canada were incorporated at the federal level during the 2016-to-2018 period.

Corporations controlled by entities from the United Kingdom, France, and the Netherlands were observed to incorporate in provinces with strong economic activity, such as Ontario, Quebec, Alberta and British Columbia.

During the years 2016 to 2018, on average, entities from the United Kingdom were incorporated in Ontario (25.6%), British Columbia (13.4%) and Alberta (10.7%). For the same period, companies from France were incorporated in Quebec (27.8%), Ontario (18.2%) and British Columbia (4.0%). As for those from the Netherlands, the ratio of incorporation was divided between Alberta (21.2%), Ontario (16.0%) and British Columbia (9.2%). Similarly, foreign-controlled firms from the region of Asia chose to incorporate mostly in Ontario, Alberta and British Columbia for the three years indicated earlier.

On the other hand, corporations controlled by entities from the United States had a different pattern of incorporation at the provincial level. The analysis showed that corporations under US control were incorporated in Ontario (24.5%), Nova Scotia (19.9%) and British Columbia (13.3%). Unlike the other corporations under foreign control, Nova Scotia is favoured as a province to incorporate for US controlled corporations.

#### **A small proportion of corporations from the United States designated Nova Scotia as their province of operation**

The province of incorporation of a foreign multinational enterprise does not guarantee it will establish the majority of its operation activities in this province.

Detailed analysis showed a discrepancy between the rate of incorporation and the rate of operating activity of US-owned entities for the years 2016 to 2018. For the three-year period, 15.3% of US-controlled corporations that were incorporated in Nova Scotia also identified this province as their province of operation, while 84.7% of them designated another province as the place where they held their operations.

These findings indicate that most corporations under US control that chose to incorporate in Nova Scotia are in fact not operating in that province.

#### **Possible factors that would incentivise US-owned businesses to incorporate in Nova Scotia**

Nova Scotia can attract foreign entities as a result of its corporate law framework, the *Nova Scotia Companies Act* (NSCA), which provides one of the most flexible Canadian incorporation statutes.

The NSCA allows for no director residency requirement and no legislation ruling on companies acquiring shares in their parent company. Furthermore, the NSCA provides a legal framework that supports the establishment of Unlimited Liability Companies, which allows a different tax treatment for US-owned corporations when they file taxes in the United States.

### Note to readers

*Under the authority of the Minister of Innovation, Science and Industry, Statistics Canada administers the Corporations Returns Act, which requires the collection of financial and ownership information on corporations conducting business in Canada. This information is used to evaluate the extent of non-resident control of the Canadian corporate economy.*

*The Corporations Returns Act requires that an annual report be submitted to Parliament summarizing the extent of foreign control in Canada.*

*The financial information on foreign control in the Canadian economy is derived from administrative data received from the Canada Revenue Agency. This information is based on financial statements filed with corporate annual income tax returns. Therefore, the reference period has a lag of two years.*

*These statistics are compiled from enterprise-level data. An enterprise can be a single corporation or a family of corporations under common ownership or control, for which consolidated financial statements are produced.*

*This report focuses mainly on ownership of assets as a basis for measuring foreign control because assets provide a longer term perspective. They are a stock item, reflecting economic decisions and market conditions that evolve more slowly over time. Statistics Canada also tracks revenues and profits under foreign control for the same time periods.*

**Available tables:** [33-10-0005-01](#) and [33-10-0084-01](#).

**Definitions, data sources and methods:** survey number [2503](#).

The report [Corporations Returns Act, 2019 \(61-220-X\)](#) is now available.

The 2020 issue of [Inter-corporate Ownership \(61-517-X\)](#) is now available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [STATCAN.infostats-infostats.STATCAN@statcan.gc.ca](mailto:STATCAN.infostats-infostats.STATCAN@statcan.gc.ca)) or Media Relations ([statcan.mediahotline-ligneinfomedias.STATCAN@statcan.gc.ca](mailto:statcan.mediahotline-ligneinfomedias.STATCAN@statcan.gc.ca)).