

INTRODUCING YOUR UK FRANCHISE INTO CANADA



With the world's 2nd largest franchise market and a perfect stepping stone to the world's #1 franchise economy, the USA, Canada is the perfect destination for UK franchisors and a good deal easier and less expensive than you probably thought!

Find out more inside ...



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.

The franchising formalities in Canada

1. Franchising in Canada, unlike the UK has regulations to comply with that are specific to franchisors.
2. Franchise Disclosure Document (“FDD”), The Franchisor must disclose material facts about the franchise in an agreed form at least 14 days prior to signing a franchise agreement or making any payment.
3. The extra cost of the disclosure document and a franchise agreement needs to be allowed for.
4. Duty of fair dealing - Franchisors in Canada have a duty of fair dealing which is defined legal.
5. Right of Association - Franchisees can form an association fo franchisees without the permission fo the franchisor.
6. Rights can’t be waived once in a franchise agreement.
7. Lime Licensing Group has a streamlined and simple process to help you launch in Canada. We have an office in Eastern Canada and a team dedicated to your success who can talk you through the whole process.

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

1st Steps ...

Market Analysis to ensure your business will work in Canada and to outline the criteria for a UK brand to operate legally and in compliance with best practice.

This is done by our Director of Canada based in Canada

A SNAPSHOT OF CANADA

POPULATION
37.59 million

GDP
\$1.709 trillion

GDP GROWTH
1.7% (2013)

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% * may or may not be applicable.
- ◆ A corporation with income attributable to more than one province may be 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 of 10%, this is administered through an easy online tool. However, the UK - Canadian Income tax convention governs the withholding tax and UK franchisors can apply for an equivalent tax credit to the Inland Revenue Service.



How to build your franchise network in Canada

By Jeff Hughes
Lime Licensing's Director of Canada

Jeff Hughes is a highly experienced international franchisor and founder of his own educational brand Skill Samurai, which means Jeff has been there and done it as a Franchisor - and he can help you too. He and Lime's founder Andy Cheetham first worked together on franchise projects in 2020 and now Jeff is Lime Licensing Group's resident expert for franchise consultancy services in Canada.

To operate in Canada you'll need a few amends to your current franchise marketing and inventory to "Canadianise" a few things. Typically your franchise prospectus and some other documents that have a "£" Sterling references rather than a Canadian "\$" etc. You certainly don't need to create everything again though. This can usually be completed within a few days of consultancy time.

Budget for between £1,500 and £3,000 depending on complexity.

To make things easy Lime Licensing Group clients can do all transactions in £GBP avoiding Canadian \$ currency exchange fees.

Whilst that is underway we can be waiting for your trademark to be registered in Canada. **This costs around £500 including our fees to apply for it.**

You'll need to acquire the required legal documents including the FDD and potentially a Canadian Franchise Agreement. However the choice of which law jurisdiction the agreement is in can be mutually agreed. Generally speaking if you are looking to appoint a master franchisee then the sub franchise agreements should ideally be in the same local law as the master agreement. Just so that they fit together better.

A UK franchise brand needs to know the regulatory framework pertinent to their business as some sectors have specific regulatory requirements. This is not just for your business model but also for Canadian franchise laws. We will list out the requirements in each province for you, these are the provinces you need to know about, please take note of Quebec:

- Newfoundland and Labrador
- Prince Edward Island
- Nova Scotia
- New Brunswick
- Quebec (we would not do Quebec as they have their own laws, and everything needs to be in French. It is like another country from a regulatory standpoint)
- Ontario
- Manitoba
- Saskatchewan
- Alberta
- British Columbia

This work is covered by a fixed fee of £1,000



The FDD takes some time to put together and requires several weeks of time to create for you. We have however negotiated a very special rate with an experienced lawyer for Lime clients which means that the franchise agreement and FDD can be completed within a budget around £14,000 (Approx \$25,000 Canadian Dollars). That along with detailed market sector and franchise competitor reports paves your way into one of the worlds largest franchise economies.

This fee will need to be paid directly to the lawyers

Just like in the UK you'll also need an initial marketing campaign to get the first batch of leads in and then review results. Marketing your franchise opportunity in Canada is similar to the UK given that most people start on one of the various internet sites.

We can put together any budget you want and our work can be mainly paid for out of success provided our costs are covered in the same way as they are in the UK.

Canadians and British people have shared values, no language barrier, a history of cooperation and most importantly from a consumer or business services point of view very similar needs and wants. What works in the UK generally works in Canada and vice versa.

Your next franchisees could be in Toronto, Vancouver, Ottawa or Montreal - why not?

It is also a wonderful place to visit and with a franchise network in Canada your next trip would be a legitimate business expense!

To recap:

Initial Franchise Amends: £1500 - £3,000

Trademark: £500

Regulatory Framework Report: £1,000

Lawyers & Franchise Disclosure Document: £14,000

Then marketing costs vary widely but we recommend a minimum £5,000 budget for the first quarter and then review.

To find out more call Lime's UK MD Andy Cheetham on +44 778211599 or choose a convenient appointment time by [clicking here](#).

