



your  
questions  
answered

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### CANADA - ONE OF THE BEST COUNTRIES IN THE WORLD TO STUDY, WORK, INVEST, DO BUSINESS OR RETIRE!

#### Why has Canada become a popular destination among Indians in recent years?

Canada is a unique country that has implemented an open immigration policy since decades. Preceded only by the USA, Canada accepts the highest number of immigrants per year (275,000-300,000). Its immigration policy is progressive and immigrant friendly, which is why most students who go to study in Canada are able to receive immigration after their study. Its Federal Skilled Worker (FSW) program and Provincial Nominee Programs (PNP) are designed to attract the best qualified and educated professionals in the world. This openness has made Canada a very popular destination, especially amongst students and professionals.

There are other important reasons that make Canada an attractive prospect. These include:

- i. Canada has been consistently voted as one of the best countries to live in by various global agencies and for the right reasons. A very large country with a small population, Canada has abundant natural resources and is endowed with breathtaking natural beauty.
- ii. Canadians value multiculturalism and human rights very deeply. It is a country which is known for its human rights values and its empathy towards refugees.
- iii. Canada is the largest trading partner of the USA. Because of the NAFTA agreement between Canada, the USA and Mexico, Canada is often used by many immigrants as backdoor entry point into the USA.
- iv. Canada has some of the best and oldest universities and colleges in the world. The tuition fees charged by these top class institutions are quite reasonable when compared to similarly ranked institutions in the USA. This is due to the fact that educational institutes in Canada are funded by the government and most of them still operate as nonprofit organizations.
- v. Canada offers its citizens and residents a free universal

health care plan. Its health care system is advanced and well-equipped.

- vi. Due to free medical care, affordable education and housing, most Canadian cities offer a high quality of life coupled with a comparatively low cost of living.
- vii. Canada is a world leader in many sectors such as forestry, fisheries, hydro power, aerospace, mining and natural gas. Recently large diamond deposits have also been discovered. Canada has the largest number of fresh water lakes in the world and fresh water is one of its biggest natural resources.

The Canadian economy was boosted by lower mortgage rates and stimulus packages introduced by the government to counteract the effects of the pandemic. This is what is reflected in the technology sector of the Canadian stock market which has shown a gain of almost 25%.

#### Why does Canada attract so many immigrants from around the world?

To maintain its population and ensure consistent economic growth, Canada has devised an open and welcoming immigration policy. In general, it can be said that Canada aims to attract 1% of its population per year under different immigration programs. This is not only true for Canada, but also most western countries who wish to attract selected type and

number of immigrants to their countries for various reasons. What we are witnessing today is a period of highest selective and elective migration that humankind has ever seen.

### How are the financial markets doing in Canada?

Let us first talk about the history of the Canadian stock market. Canada has three major stock exchanges - Montreal, Vancouver and Toronto. The most popular and well-known is the Toronto Stock Exchange (TSX).

The Toronto Stock Exchange is based in Toronto, which is the capital of the province of Ontario. TSX is the ninth largest exchange in the world by market capitalization. The exchange was started in 1850s.

This exchange operates from EY Tower in Toronto's financial district.

The TSX is a wholly owned subsidiary of the TMX Group for the trading of senior equities. A broad range of businesses from Canada and abroad are represented on the exchange.

As I had mentioned in my previous article on the USA, a general perception is that stock market movements reflect the economy of a country. But nothing could be further from the truth. In fact, stock market movements are dependent on the loss and gain on investment made by investors in the stock market.

After the onset of the COVID-19 pandemic, a rise in Canadian stock markets surprised many. The COVID-19 crisis has hit businesses of all kinds and sizes. However, SMEs do not trade on stock markets and they are the ones who are most affected. Companies that are on the stock market are doing reasonably well in Canada.

Tech companies in particular are doing very well. This is what is reflected in the market. In case of certain sectors, the COVID-19 situation has shown that bigger the problem, greater are the opportunities. In the present circumstances, tech companies are enjoying unbelievable growth as the physical world is gradually morphing into a digital and virtual one.

Furthermore, the Canadian economy was boosted by lower mortgage rates and stimulus packages introduced by the government to counteract the effects of the pandemic. This is what is reflected in the technology sector of the Canadian stock market which has shown a gain of almost 25%.

On the other hand, mutual funds (MF) and exchange traded funds (ETF) of certain sectors are not doing well. Investors have pulled out their investments from these products and reinvested the amount in tech companies.

### How is the real estate market in Canada?

There are more than 300,000 immigrants coming to Canada each year. Because of low mortgage rates, the Canadian real

estate market is doing extremely well. It must also be noted that this market is well regulated and well managed, cutting the risk of extreme highs and extreme lows substantially.

The real estate markets of Vancouver and Toronto are doing exceptionally well, so much so that the municipalities of these two cities have introduced an additional 15% tax for foreign investors who wish to purchase real estate in these two metro cities. This is essentially to protect the interests of locals who can buy the same real estate at a cheaper price.

COVID-19 has had no significant effect on the housing real estate market in Canada but a noticeable shift has been seen in the commercial and industrial sectors. Tenants and occupants of these real estates are now asking for additional services (upgraded and more secure facilities) from building owners.

Some of the ideal opportunities to invest in real estate in Canada are student housing facilities around university campuses and senior citizen facilities (old age homes). These two types of housing facilities are doing extremely well in terms of rental income and property appreciation.

As per the Housing Association of Canada data published on 15th September, 2020, "home sales recorded over the Canadian MLS® Systems increased a further 6.2% in August 2020, raising them to another new all-time monthly record.

Unlike the previous two months in which activity was up right across the country, sales in August were up in about 60% of local markets. Gains were led by the Greater Toronto Area (GTA) and British Columbia's Lower Mainland. With on-going supply shortages in so many parts of Canada, it is interesting to note that the GTA and Lower Mainland also saw a considerable amount of new supply become available in August.

Actual (not seasonally adjusted) sales activity posted a 33.5% y-o-y gain in August. It was a new record for the month of August, and the sixth-highest monthly sales figure of any month on record. Transactions were up compared to last August in almost all Canadian housing markets."

### What are the opportunities for Indian multinationals and public limited companies in Canada?

Canada has always remained in the shadow of its more illustrious neighbor, the United States of America, and has always been considered as the second best option after the USA. Indian multinational companies and other big players have not yet taken advantage of the Canadian economic policies as much as they should have in order to enter the North American market.

A classic example of this is the information technology (IT) sector. Indian IT companies have entered the Canadian market pretty late as compared to their entry in the U.S. market.

Rather than using Canada as a base to serve American companies, the strategy used by Indian IT companies was exactly the opposite. They made USA a base to serve their Canadian clients. Most Indian IT companies are interested in manpower supply which was allowed in the USA but not in Canada under the existing visa rules. Hence Indian IT companies ignored Canada for a while and set up shop in the USA.

Indian IT companies could have established a base in Canada and served North American companies with much lower operating costs than the USA, but it was not to be. Similarly, other Indian companies can use Canada as a base to serve the North American market under the North American Free Trade Agreement (NAFTA).

Though bilateral trade between Canada and India started many years ago with the Team Canada Mission in 1995 headed by the then Prime Minister of Canada, Honorable Mr. Jean Chretien, India has still not established great trade links with Canada and vice versa.

### How can Indian SMEs enter into and conduct business in Canadian markets?

It is a fact that SMEs, unlike multinational companies, prefer to do business by themselves rather than appointing country managers and CEOs. In this situation we need to closely look at the business immigration rules of Canada.

Canadian states are known as provinces and there are 10 provinces and three territories in Canada. The Federal (Central) government of Canada and each of these provinces have their own business immigration programs to welcome SMEs of the world to Canada.

It is not possible to discuss all these programs here, but suffice it to say that these programs are designed in a way to meet the economic and social needs of the country as a whole and the particular province in question.

In general if one meets the following requirements, there is a fairly good possibility of obtaining the necessary visa to establish business in Canada.

These requirements are as follows:

The Indian businessperson must have -

- I. Net assets \$500,000 CD and above (2.5 crores INR) in India in his/her name, including spouse's assets. Family assets belonging to parents and siblings (in their name) are not acceptable.
- II. Two to three years of business experience in his/her own business or managerial experience in a large corporation.
- III. Been involved in a profit making business on a full time basis for at least 2 years.
- IV. Education level 12th grade pass and above.
- V. Working knowledge of the English language.
- VI. Undertaken or should undertake a business exploratory trip to Canada.

- VII. The intention to start a business in Canada by purchasing an existing business or a franchise business or start a business in partnership with someone with minimum investment of \$200,000 CD or \$100,000 CD and more in certain rural areas.
- VIII. Prepared a detailed business plan of doing business in Canada and this should be related to his/her past business experience outside of Canada.

It goes without saying that one needs to provide extensive paper work to meet the above requirements which is verified by a government approved Canadian CA firm.

### These requirements don't seem very stringent. Then how come Indian businesspersons and SMEs are NOT taking advantage of these programs?

Indian businesspersons and SMEs are not taking advantage of these programs as one might expect and there are several reasons once can cite.

Some of which include:

- i. Entering into a family business is inherently cultural to many Indian business communities. Such businesses do not operate with a business plan and, most often than not, are self-sustaining and do not need professional help. Hence most SMEs do not have the necessary documents, paperwork and business plan that are needed to apply for a Canadian business visa.
- ii. Most Indian businesspersons are not big risk takers, especially when it comes to getting out of their comfort zones. We cannot generalize but what I have observed is that established businesspersons are less of risk takers than novice ones who are ready to take a leap of faith. When we talk of successful Indian businesspersons in countries like the USA and the U.K., we must remember that these individuals went to these countries as workers/sponsored family members and slowly worked their way up to establish themselves as successful entrepreneurs.
- iii. Rather than approaching qualified lawyers and related professionals to assist them in entering the Canadian market, most Indian businesspersons prefer to consult an array of agents and consultants. Google search and the University of Whats app have become universal sources of information. Friends and relatives in Canada often become misplaced sources of guidance. Due to this (mis)information overload, Indian businesspersons often find themselves in a state of confusion regarding the true state of affairs.
- iv. Many Indian SMEs wish to start/ purchase a business in Canada that is very different from the one they have actual experience in operating and managing in India.
- v. There is a certain cost involved in the process as per international standards and many Indian SMEs are unwilling to pay for these costs.

- vi. There are very few experienced and qualified lawyers in India who can advise and assist Indian SMEs to go global. The Indian market is dominated by unregulated professionals who give conflicting information, further complicating the matter.

During my two and a half decades of practice, I have observed that unlike Indian SMEs, SMEs of many Asian countries are taking full advantage of the aforementioned Canadian business programs and establishing their presence in Canada. Physical presence and know-how of doing business in Canada give a head start to these SMEs as compared to their Indian counterparts, especially in the field of import and export.

### What are the opportunities for start-ups in Canada?

There are tremendous opportunities for Indian start-ups who wish to enter the North American market. Canada is the first country in the world to introduce the Start-up Visa Program to welcome start-ups from all over the world.

The criteria to qualify under this program are very easy to fulfill.

A brilliant idea in any sector which can have commercial applications for Canada, the USA or the world and which is accepted by a Canadian government approved incubation center or angel investor or VC is the primary requirement.

English language requirement is also very achievable - minimum 5 bands in IELTS exam.

Up to five founders can apply under the same start-up idea.

If Indian start-ups need assistance, there is professional help available from Canada.

Following Canada's example, 22 other countries in the world have introduced a start-up visa program to attract start-ups from the world over. Indian start-ups must definitely take advantage of these programs because there is no dearth of talent and ideas in our country.

Unfortunately, even many IT associations and VC associations in India are not aware of these Start-Up Visa Programs.

### Why should Indian investors invest in Canadian financial markets or real estate or even consider immigrating under Canada's business immigration programs?

Why not, I ask? There are number of reasons why Indian investors must seriously consider Canada as a potential investment destination.

- i. If as a parent you want your child to study in Canada, the first option I would advise you would be to consider immigration under Canada's business immigration programs. This is because once you and your family become Canadian residents, your child will be entitled to free education until grade 12 and his/her post-secondary and university education fees will be reduced by 80%. As a

resident of Canada, your child will have less difficulty in finding suitable employment during and after completing his/her education as compared to international students.

- ii. In the event you are unable to take up residency in Canada for whatever reasons, your children can still study and stay in Canada. However, the cost of living and education has to be paid in Canadian dollars. Hence it would be prudent to invest in Canadian stock market or real estate and park your money in advance in Canada at lower exchange rates and reduce currency fluctuation risk. In other words, you are doing personal hedging of dollars for your child's education.
- iii. Investing in Canada also helps to reduce currency and political risk by diversifying the portfolio.
- iv. Investing and saving in Canada may also assist your child in obtaining a student visa to Canada (if you do not want to opt for residency).

### For studying in Canada, what are some important things we should know and keep in mind as parents and students?

These are some of the important points to keep in mind:

- i. Plan early if you wish to send your child to Canada for higher education. Most parents start seeking advice after their children have passed 12th grade or after they have completed their Bachelor's degree. This limits their options and choices.
- ii. Post-Graduate Diploma (PGD...) is not equivalent to a Master's degree program. It is a 2 or 3 year program, usually offered after a high school diploma (grade 12). It is more or less like a Diploma program in India which can be undertaken after passing grade 10 or 12.
- iii. Understand the education system of Canada before applying for any particular program or at any particular education institution.
- iv. After study in Canada, employment and residency are not automatic. There is a process to follow.
- v. There are a number of other options available in Canada for study and/or settlement.

**Prashant Ajmera** (B Sc. LL.B. (India) ICSA (UK)) is a reputed Indian immigration lawyer, NRI and Canadian citizen with more than twenty-five years of experience in the field of corporate and migration law and international trade. He assists HNIs and UHNIs in making investments outside of India in real estate, stock markets, businesses and a second passport.

In recent times he has spoken at various financial events in India on the subject, "Why and how should Indian HNIs consider investing abroad?"

He is a member of the International Bar Association (IBA) and has addressed the IBA Annual Conference as a speaker on two occasions (Cancun-2001 & Durban-2002). Over the years he has authored a number of articles for various media and publications.

In January 2019, he published a first of its kind book, "Millionaires On The Move", which is available on Amazon.in. This book explains how one can obtain a second passport through business immigration by investing in residency and citizenship programs and Start Up programs of several countries.

His second book, "How to plan for your child's foreign education in 2020ne - Myth v/s Reality", is available on Google play and Amazon.in. It is a handy reference for Indian parents who wish to send their children abroad for higher education.