

Definition of a Canadian Company

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Introduction

"We will be our own best customer," declared Prime Minister Mark Carney in November 2025, when he announced plans to implement a Buy Canadian Policy as part of the federal budget. It is not particularly controversial to say that the government of Canada should support Canadian companies. But what defines a Canadian company?

Canada already has a heap of different definitions — in legislation, in regulations, and in various provincial policies — all aimed at establishing criteria for what counts as a local company.

- Product labelling in grocery store for "Canadian" products tends to focus on where ingredients originate and where processing takes place;
- The Telecommunications Act and the broadcasting regulations both establish stringent rules for ownership and control of companies, for the purposes of ensuring that operators are authentically Canadian;
- The Canada Transportation Act provides ownership requirements for Canadian airlines.

The federal government also has provisions to define a Canadian company in the Investment Canada Act, the Income Tax Act, and further through the Scientific Research & Experimental Development tax credit.

And now, just in the past year, the Government of Canada has introduced two new policies focused on government procurement, which each include their own definition of a Canadian company — the Buy Canadian Policy, and the government's new Defence Industrial Strategy.

However, these new procurement policies are among the weakest in terms of defining a Canadian company.

The Buy Canadian Policy primarily concerns itself with Canadian supplier materials, and whether a company is incorporated in Canada and paying taxes here. By this definition, Walmart Canada or Microsoft Canada would count as a Canadian company.

The Defence Investment Agency, established in 2025 with a mandate to streamline military procurement and steer more funding to Canadian companies, still does not have a clear definition of what counts as a Canadian company. The situation is a bit of a mess.

The solution is actually quite simple: For the purposes of public funding, procurement, and strategic industrial policy, the cleanest way to define a Canadian company is simply to start by defining what is clearly not a Canadian company.

A Canadian company is a Canadian-headquartered firm that is not majority-controlled by a foreign parent or foreign government.

The Problem

Inevitably, any time we're trying to establish a definition of which companies count as authentically Canadian, the government is engaging in a policy project motivated by some kind of economic nationalism.

When looking at the broad sweep of Canada's policies seeking to define a Canadian company, what we see is a policy mindset that is thoroughly rooted in 20th century economic sensibilities.

First, we see a generally light touch. The economic strategy of Canada's governments over the past 50 years or more has generally been to prioritize trade, foreign investment and economic integration. Canada's major trade agreements contain provisions limiting the government from prioritizing domestic procurement through non-discrimination rules for covered procurement — meaning that when a purchase is above the agreement's dollar thresholds, governments must treat suppliers from partner countries no less favourably than domestic suppliers.

Second, government definitions of a Canadian company are often rooted in whether the company has a presence in Canada and employs Canadians. In consumer protection and labelling, "Canadian" is determined by considering where a product was transformed and how much of its cost base is domestic. In Ontario's buy local procurement policy, any company that has at least 250 full-time employees in Ontario counts as an Ontario business.

In broadcasting regulations, a production needs to earn at least 6 out of 10 points based on key creative functions performed by Canadians and specific creative-role requirements. People debate the efficacy of this approach, but the policy is clearly about distinct Canadian cultural promotion. Again, this is rooted in Canadian jobs, in that it is prioritizing job creation in key creative roles.

Third, where we see more restrictive definitions of a Canadian company, it tends to be for a narrow and specific purpose. For domestic licensing, the Canada Transportation Act guidance concerns itself with the Canadian-ness of domestic airlines.

The government emphasizes that Canadians must own and control at least 51% of voting interests, that no single non-Canadian may hold more than 25%, and that the entity must be "controlled in fact" by Canadians. This reflects the reality that formal voting shares alone may not capture where decision-making power truly sits.

The most recent and vivid expression of Canada's general approach to economic policy is the Buy Canadian Policy. The policy gives a company's bid a 10% discount if it is incorporated in Canada with business operations here — but of course, that includes local subsidiaries of foreign multinationals. But the policy also gives bidders credit through the quantity of Canadian content in procurement. This Canadian content goes beyond steel and lumber, too.

A company gets credit for things like R&D, warehousing, sales and marketing, if those activities are happening in Canada. What we see in this is a government policy aiming to encourage as much economic activity to happen as possible, without imposing a rigid binary "Canadian vs foreign" distinction.

This light-touch approach, prioritizing Canadian jobs and targeted policies for specific high-priority sectors, may have been fine for the 20th century, but it does not really address the most important aspect of the 21st century economy.

The world economy has been undergoing a shift toward an economy dominated by intangible assets and digital systems. Consulting firm Ocean Tomo estimates that 92% of the value of the S&P 500 was derived from intangible assets in 2025, whereas in 1975, only 17% of the value of the S&P 500 came from intangibles. The value of intangible assets today is estimated to be more than US$100 trillion globally.

These intangible assets move frictionlessly across borders. Patented innovations developed from R&D in one place can be commercialized globally.

Wealth creation in the digital economy comes more from ownership and rents extracted from intangible assets. Canada's fixation on jobs as a primary qualifier for Canadian-ness misses the real engine of economic growth in the 21st century.

This decades-long trend has only been supercharged by the recent explosion of AI technology.

Canada's light-touch approach to defining Canadian companies is also rooted in a geopolitical time when deeper integration with global supply chains was seen as reciprocal and positive-sum.

Today, Canada is concerned with weaponized interdependence, and our focus on economic nationalism is a natural response to the trade hostility of the United States.

Put simply: The old definitions are rooted in an economy that no longer exists, and Canada urgently needs a different approach that accounts for the geopolitical reality and the economic dynamics of the 21st century.

The Solution

In studying the ways that the government has defined a Canadian company in the past, we initially sought to develop some kind of "gold standard" definition for what makes an authentically Canadian firm.

Ultimately, there are good arguments to be made that an expansive definition of a Canadian firm should account for multiple factors:

- Ownership;
- Control;
- Headquarters;
- Intellectual property and intangible assets.

Each of these factors captures something real about where strategic and economic value resides. But taken together, they create a definition that is harder to administer, easier to contest, and more vulnerable to edge cases. A company can maintain a substantive headquarters in Canada while still being ultimately directed elsewhere. It can hold important intellectual property here while remaining accountable to a foreign parent.

On the other hand, a Canadian company may take on foreign capital without ceasing to be meaningfully Canadian in every practical sense.

In fact, the majority of a venture-backed company's equity may be owned by foreign investors, but if no one of those investors is the majority owner, then the company is still functionally Canadian. That is why this paper does not recommend a gold-plated, universal definition of Canadian-ness.

We recommend a narrower and more operational rule for strategic policy, funding allocation and differentiation: foreign subsidiaries should not be treated as "Canadian" firms for preferential access to procurement, public funding, or industrial support when the policy goal is to scale homegrown firms.

A Canadian company is a Canadian-headquartered firm that is not majority-controlled by a foreign parent or foreign government.

This is the minimum threshold needed to distinguish a domestic firm from a foreign subsidiary operating in Canada. Incorporation, domestic payroll, and a Canadian address may indicate economic presence, but paying taxes here should not be enough to establish that a firm should receive preferential treatment intended to build Canadian capacity.

Implementation

Over time, the federal government and provincial governments should exclude Canadian subsidiaries of foreign multinationals in all areas of law and policy where we have an existing definition of a Canadian company.

However, in the short term, this change may prove to be disruptive in some places. For example, if we shifted product labelling to exclude foreign subsidiaries, a lot of products on grocery store shelves would lose their maple leaf logos, even though the supply chain is entirely in Canada.

At a minimum, foreign subsidiaries should not qualify as "Canadian" simply because they are incorporated here, employ people here, or maintain a Canadian address. These firms should have a new status, acknowleding their structure as a majority -owned foreign subsidiary. This differentiation would be akin to the existing consumer product distinction of "Product of Canada" versus "Made in Canada."

However, there are some immediate priority areas that the government can get to work on right away.

Defence

The clearest place to elevate the bar for a Canadian firm is the Defence Industrial Strategy. The strategy is explicitly focused on strengthening Canada's industrial base, growing domestic supply chains, and aligning federal tools to build Canadian capacity.

Moreover, Canada's trade agreements have specific carve-outs for national security matters.

This makes defence the natural first proving ground for a more serious definition of a Canadian company: if a firm is a foreign subsidiary with operations here, it should not be elevated in the same way as a genuinely Canadian-controlled company when defence procurement, defence financing, or defence-related industrial supports are on the line.

Buy Canadian

This same logic should extend to the Buy Canadian procurement policy more broadly. When firms are assessed for 'Canadian'-ness, we should not rely only on address and incorporation.

The federal program already moves in this direction by prioritizing Canadian suppliers, Canadian-made goods and services, and Canadian materials in procurement. It also applies to not just departments and agencies, but is meant to cover Crown corporations and, where possible, grants and contributions programs.

However, without a stronger definition of what counts as a Canadian company, foreign firms or subsidiaries operating in Canada can game or exploit the rules. A stronger implementation rule would require procuring entities to verify that a bidder is not a foreign subsidiary and to distinguish firm ownership beyond domestic presence.

Other Economic Development Funding

Our proposed screening to exclude majority-owned subsidiaries of foreign companies and governments does not need to be limited to procurement. The same definition should govern access to major business supports and economic development tools.

Programs explicitly meant to build Canadian capacity should be designed to ensure that public money does not unintentionally subsidize branch plant activity — or help foreign parents capture Canadian talent, IP, or tax-supported commercialization.

That same principle is especially relevant for innovation supports such as the Scientific Research and Experimental Development tax credit SR&ED, which is intended to encourage research and development conducted in Canada.

Scarce public support aimed at building and supporting Canadian capacity/capability should not flow equally to firms whose upside is ultimately booked elsewhere.

Provincial Adoption

The provinces and territories should mirror this approach in their own procurement policies, industrial subsidies, regional development programs and commercialization support.

A common operating definition would ensure firms do not face one test federally and another test provincially. This would be in line with the broader effort around One Canadian Economy.



Conclusion

The world is rapidly changing, and Canada's national economic and geopolitical strategies need to adjust. Only a few years ago, the idea of implementing a national "Buy Canadian" policy was seen as distasteful and parochial.

Today, it seems like a natural response to rising trade tensions. In the realm of digital sovereignty, critical minerals, defence, and even in the realm of alcohol production, we are more vividly aware than ever before of the importance of engaging strategically in global trade. Our proposed standard will not resolve every edge case.

But it would end the more serious error Canada makes today: treating foreign subsidiaries as domestic firms for the purposes of building Canadian capacity. If Buy Canadian is meant to mean anything, it has to start there.