



# Social Enterprises in Canada

## Definition and Models



Social Enterprises in Canada: Definition and Models

### Subsidiary Profit-Making Enterprises

- A legal entity that is more than 50% owned and controlled by another legal entity
- Charities in Canada are permitted to create and maintain control over a separate, taxable corporation
- Unclear whether NPOs can run separate, taxable corporations



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In Change the Game Academy's Module 12, in addition to ideas presented on how charities can engage in earned revenue activities, two organizational models were also presented, including subsidiary profit-making enterprises and social enterprises.

According to the Business Development Bank of Canada, a subsidiary is a legal entity that is more than 50% owned and controlled by another legal entity. As a potential work-around to the CRA's strict interpretation of what constitutes a related business or not for charities, charities in Canada are allowed

to create and maintain control over a separate, taxable corporation. It should be noted that the CRA's guidance is unclear as to whether non-profit organizations can do the same.

Additionally, the CRA does permit a corporation to donate up to 75% of its annual income to charity, also known as the CRA's annual gift limit. This could serve as a way for a subsidiary profit making enterprise of a charity to avoid tax liability. However, this is not necessarily an option for all charities. It would be important for a charity to assess the feasibility of covering the costs and resources needed to operate such an entity, and consider whether the necessary skills, experience and staff are available to run a for-profit venture.



## Social Enterprises in Canada

- The market-oriented production and sale of goods and/or services to pursue a public benefit mission
- Long history in Canada
- Various models exist

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The other model discussed in Change the Game Academy's Module 12 is social enterprise. Social enterprises are organizations that use the market-oriented production and sale of goods and/or services to pursue a public benefit mission. This concept is by no means new in Canada.

In a working paper published by the International Comparative Social Enterprise Models (ICSEM) Project, the authors state that social finance and social enterprises existed across Canada, long before the contemporary concept of 'social enterprise' emerged.

The paper goes on to make an important point that the various social enterprise models we see across Canada today have not emerged in a vacuum but have been influenced by unique regional and cultural contexts that have themselves been influenced by certain external forces.

For instance, in Quebec, social enterprise is not the prevalent concept, rather social economy is the more recognized term. The authors state that one of the exogenous influences of the social finance market in Canada is continental Europe, which has been the most influential in Quebec.

Quebec's social economy has a long history, beginning in the 19th century, and is formally recognized in the Social Economy Act, which recognizes various social economy enterprises, including cooperatives, mutual societies, and non-profit organizations of a commercial nature.

Please refer to your workbook for Unit 3 to see a table that lists the various social enterprise models in Canada, their legal parameters, and unique characteristics.

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