



123 rue Slater St, #610
Ottawa, ON K1P 5H2
T. 613.238.6712

**Co-operatives and Mutuals Canada (CMC)
Submission on Canada Co-operatives Act Reform**

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Thank you for the opportunity to submit proposals for increasing efficiency for co-operatives through reforms to the Canada Co-operatives Act (the **Act**).

Generally, the Act remains relevant and useful to the co-operative sector. As you have indicated, we recognize that this is not an opportunity for a major review, but rather an opportunity for a limited number of improvements in the name of efficiency.

The Act itself does not impose much of an administrative burden. So, there is little in the way of “red tape” to cut. These are our submissions:

Virtual & hybrid meetings

While virtual and hybrid meetings have become more prevalent, our members oppose making them default at this time.

We submit that the existing provisions suffice. Making virtual and hybrid meetings the default would fail to consider the variety of circumstances co-operatives operate within – from members without computer literacy, to remote locations without adequate internet service. Co-operatives value the community engagement that face-to-face meetings facilitate.

Name Change

We are content with the proposed name change of the Annual Return to the Annual Update Statement in the Act.

Discard the “two-provinces” rule.

The Act currently provides, in Section 3(2 (2):

- No cooperative may be incorporated under this Act unless
- (a) it will carry on its undertaking in two or more provinces; and
- (b) it will have a fixed place of business in more than one province.

Section 11(1) states:

- Articles of incorporation must be in the form fixed by the Director and contain the following particulars: ...
- (h) a statement that the cooperative will carry on its undertaking in two or more provinces and will have a fixed place of business in more than one province

These provisions present a significant barrier to more widespread use of the Act, as only well-established co-operatives that can comply with it can use the Act.

We understand this rule was inserted into the Act at the request of some co-operatives. It is time for it to be discarded.

Option for Review Engagement

The new Québec Act has this provision:



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[139](#). Despite the first paragraph of section 135, a mandate may be given to the auditor to conduct a review engagement instead of the audit if two-thirds of the members or representatives present at the annual meeting consent to it.

Given the increasing cost of audits, and the savings to be found with a less intensive review engagement that may well provide a level of assurance on financial information that members may find acceptable, the members should have that option.

Change of Head Office

The Act reads, in Section 30 (1):

A cooperative must maintain a registered office in the place set out in its articles, It should be possible to amend the head office municipality by bylaw, as a change within a municipality may be made, without requiring articles of amendment.

Define Non-Profit Co-operative

Non-profit Housing Co-operatives have a separate part in the Act. Non-Profit Co-operatives generally should have one, too.

Drawing on legislation in Manitoba, British Columbia, and Saskatchewan, introduce an additional special purpose co-operative called community service co-operatives that align with non-profit corporations. The Act already provides for co-ops to be incorporated without share capital and with an appropriate asset lock securing indivisible reserves. Inclusion of a formal special purpose co-op for non-profit status would remove ambiguity from co-ops seeking this formal recognition.

Le Conseil québécois de la coopération et de la mutualité noted with approval, in their [recent communication](#) to the Québec government, the adoption of similar provisions in Québec:

Authorization was granted to cooperatives whose bylaws prohibit the distribution of patronage dividends and the payment of interest on preferred shares to declare themselves as non-profit: the Québec cooperative movement includes a substantial number of non-profit cooperatives.

These cooperatives report challenges related to recognition, financing, and access to programs. Many cooperatives already identify themselves as non-profit.

In its Policy Briefs, the International Cooperative Alliance (ICA) notes that many cooperatives operate on a non-profit basis and calls on public authorities to grant them specific legal and fiscal treatment. The bill therefore formally recognizes this reality in Québec legislation.

Non-profit cooperatives currently operate for the benefit of a community larger than their membership, such as health cooperatives, cultural cooperatives, recreational tourism cooperatives, and cooperatives providing local services to the population.

This contribution to the common good is not always recognized. The bill will allow cooperatives that wish to do so to highlight the scope of their cooperative activities.

Furthermore, the legal recognition that a cooperative can operate in the interest of its members and in the interest of a community will allow for even wider adoption of the cooperative model.

At the international level, the recognition that cooperatives can also work in the general interest of communities is growing, and the bill reflects this trend.

While many organizations intending to operate as non-profits choose a Not-for-Profit Corporations Act, some do opt to be a Co-operative, attracted by its democratic one-member/one-vote defining feature, and the desire to



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engage in governance with those the Co-operative would serve. Formal recognition of that alternative in the Act would be useful.

Clarifying that a non-profit co-operative does not, and cannot, distribute its surplus to its members would assist in establishing their eligibility for targeted government support, and social procurement opportunities

Additional Issues for Further Consideration

While CMC is not requesting immediate legislative adjustments on the following items during this targeted red-tape exercise, we wish to place them on the record as areas requiring ongoing dialogue and future modernization:

- **Worker Co-operative Membership Thresholds:** The current requirement dictating that at least 75% of permanent full-time employees (and 75% of all employees) must be members is a measure that was initially requested by the sector, but it has proven over time to create acute compliance challenges in modern high-turnover sectors. Consideration should be given in future iteration of the Act to adjust the baseline threshold toward a more flexible 50% marker or allow individual co-operatives to prescribe these metrics within their organizational bylaws based on sector realities.
- **Audit Exemption Harmonization:** While federal thresholds under Section 255(1) currently align comfortably with most provincial jurisdictions by allowing non-distributing co-operatives to waive audits via unanimous member and shareholder consent, we note that jurisdictions like Québec have shifted toward a regulatory model based strictly on business volume thresholds (exempting co-ops under \$250,000 in annual revenues). A volume-based or risk-tiered framework could further alleviate regulatory friction for smaller co-operatives.
- **Business with Non-Members:** Unlike specific provincial frameworks (such as Ontario's 50% limit on non-member business), which has recently been updated to allow increases via internal bylaws), the federal Act remains silent on explicit caps. We support maintaining this statutory silence to ensure flexible operations.
- **Investment Share Structural Flexibility:** Proposals have emerged from within the co-operative development ecosystem suggesting the explicit insertion of non-par-value investment shares into the Act. While we currently evaluate the existing corporate architecture of the Act as sufficiently flexible to permit drafting conditions that achieve these identical financial outcomes, we note it as an area of ongoing structural discussion among early-stage developers.

Conclusion

We trust you will find these responses helpful. We appreciate the opportunity and look forward to further discussions with you.