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Starting a Cooperative in Quebec: Types, Steps and Costs

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Why a cooperative instead of a company or a partnership

Freelancers who want to share clients, designers who want a common brand, a neighbourhood group that wants to run a café: all can incorporate or sign a partnership agreement. A cooperative is the third option, and Quebec counts about 2,800 non-financial cooperatives with roughly 1.3 million members, more than 46,000 jobs and over \$14.5 billion in annual turnover ([Québec.ca, portrait of the cooperative movement](#)).

The difference is who holds control and who gets the profit. In a business corporation, votes and dividends follow shares, so whoever puts in the most capital controls the company. In a cooperative, control and surplus follow **use**: each member has one vote, whatever their capital, and surplus is returned in proportion to what each member did with the cooperative (the work they performed, the goods they bought or sold through it). The [Cooperatives Act \(chapter C-67.2\)](#) defines a cooperative as a legal person in which persons or partnerships with common economic, social and cultural needs unite to operate an enterprise according to the rules of cooperative action (s. 3).

A cooperative suits you when:

- the members are the users of the business (the workers, the customers or the producers), not passive investors;
- you want decisions shared equally, even if one member brings more money;
- you are comfortable with a mandatory board, annual meeting and written by-laws;
- you do not plan to sell the business to an outside buyer for a capital gain.

It suits you less when you need venture capital, when one founder carries most of the risk, or when you work solo. For a two- or three-person arrangement without incorporation, see our guide to [creating a general partnership in Quebec](#).

This article is general information, not legal or tax advice.

The five types of Quebec cooperatives

The Act sets out several categories. The ones that matter for a founder are these:

Type	Who the members are	Statutory definition
Work cooperative (coopérative de travail)	Only natural persons who work in the enterprise	Its object is to provide work to its members (s. 222)
Shareholding workers cooperative (coopérative de travailleurs actionnaire)	Employees of an existing business corporation	Acquires and holds shares in the corporation that employs them (s. 225)
Solidarity cooperative (coopérative de solidarité)	At least two categories: users, workers and supporting members	Mixed membership (s. 226.1)
Producers cooperative (coopérative de producteurs)	Independent producers, including freelancers and businesses	Provides members with goods and services they need for their professional practice or enterprise (s. 193.1)
Consumer cooperative (coopérative de consommateurs)	Consumers	Provides members with goods and services for their personal use (s. 219.1)

Housing cooperatives (s. 220) are not covered here.

Which one fits a group of freelancers?

- **Five translators employed by a shared agency:** work cooperative.
- **Ten self-employed photographers sharing a studio, insurance purchasing and a booking platform:** producers cooperative.
- **A community café with staff, regulars and a local foundation at the table:** solidarity cooperative.

Every cooperative's name must include "cooperative" or "coop" (s. 16), and a solidarity cooperative's must include "solidarity cooperative" or "solidarity coop" (s. 226.2).

How many founders you need

The general rule is a minimum of **five founders** to apply for constitution (s. 7). A work cooperative needs only **three** (s. 223.1), and so does a shareholding workers cooperative (s. 225.7) ([Cooperatives Act](#)). Bill 111 did not change these minimums: ss. 7 and 223.1 were not amended in 2026.

Two details trip groups up:

1. **The minimum is permanent.** Since Bill 111, the number of members can never fall below the minimum number of founders required for constitution ([Québec.ca, 2026 amendments](#)). The Minister may dissolve a cooperative whose membership drops below that number (s. 186). A three-person work co-op where one member leaves has a real problem, so plan recruitment early.
2. **Solidarity co-op founders.** Supporting members (people with an economic, social or cultural interest who are neither users nor workers) can be founders of a solidarity cooperative only if they are a minority of the founders (s. 226.1.2).

Member shares, one vote and the board

Qualifying shares. Every member must hold the minimum number of shares set by by-law, called qualifying shares (s. 38.3). The amount is your choice: some co-ops set a symbolic \$10, others ask worker members for several thousand dollars payable over time. In a work cooperative the number of qualifying shares may vary with the amount of work the cooperative can offer the member (s. 224.1.1).

One member, one vote. No member is entitled to more than one vote, irrespective of the number of shares held (s. 68), and the rules of cooperative action exclude voting by proxy (s. 4). A founder who puts in \$20,000 and one who puts in \$100 vote equally at the general meeting.

The board. A cooperative is run by a board of directors whose size is set by by-law but cannot be less than three (s. 80). A director's term is one year, or two or three years if a by-law sets up a rotation (s. 84). Non-members can sit on the board only within limits: by-laws may allow outside directors, but outside and representative positions together cannot exceed one third of the seats (s. 81.1.1).

Liability. A cooperative is a legal person distinct from its members, and members' liability is limited to the value of the shares they subscribed ([Québec.ca](#), [Registraire fees for a cooperative](#)).

Work co-op specifics. A work cooperative may, by by-law, put a new worker through a trial period of up to 250 work days as an auxiliary member (s. 224.2), must adopt a by-law on work sharing, lay-offs and recalls (s. 224.4), and calculates rebates on the amount of work each member performed (s. 224.7).

Surplus, patronage refunds and the general reserve

A cooperative can and should make money; what changes is where it goes. Under s. 143, the general meeting, after considering the board's recommendations, allocates the year's surplus (after interest on preferred shares) to:

1. the **general reserve**;
2. **rebates** (ristournes, often called patronage refunds or patronage dividends in English) to members, but only to the extent the general reserve has a positive balance;
3. rebates to auxiliary members if the by-laws allow it.

Rebates are calculated on each member's business with the co-op, not on their capital (ss. 4 and 149; see also [Québec.ca](#), [Principes du modèle coopératif](#)).

Illustrative example (work cooperative). A three-member web studio co-op ends the year with a \$30,000 surplus. The general meeting puts \$6,000 in the general reserve and allots \$24,000 as rebates on hours worked. Member A worked 1,600 hours, B 1,200 hours and C 800 hours (3,600 in total). A receives $1,600/3,600 \times \$24,000 = \$10,667$; B receives \$8,000; C receives \$5,333. Share capital plays no role in the split. The 20% reserve allocation is illustrative; the general meeting decides it within the Act and the by-laws.

Bill 111 renamed the old "mandatory reserve" the **general reserve** and allows any cooperative to create, by by-law, a **reserve for future rebates** to smooth rebate payments from one year to the next ([Québec.ca](#), [2026 amendments](#); Act, s. 149.0.1). Producers, work and shareholding workers cooperatives can also create an "enhancement reserve" that pays rebates to former members (s. 149.1 to 149.3).

Step by step: from provisional committee to incorporation

Québec.ca breaks the process into a pre-cooperative stage, the application, and the organizational meeting (Québec.ca, [Démarrer une coopérative](#)).

1. Pre-cooperative stage. The founding group defines the needs it wants to meet, recruits (Québec.ca supplies a "déclaration d'intention et engagement préconstitutif" template) and forms a provisional committee that prepares feasibility and viability studies and draft by-laws.

2. Founders meeting. With at least five founders (three for a work or shareholding workers co-op), the group appoints a provisional secretary, signs the application for constitution and prepares the articles, which state the co-op's name, its object, and the names and domiciles of the founders.

3. File the application. The [constitution page on Québec.ca](#) lists the forms:

- Form 1: articles of constitution (statuts de constitution);
- Form 2: application (requête);
- Form 2.1: notice of the name and domicile of the provisional secretary and of the cooperative's domicile;
- Form 3: description of the cooperative project;
- Forms 4 and 5 if a producers or solidarity co-op has a legal person among its founders.

4. Pay the fee. The fee for constituting a cooperative is **\$295**, the amount in force since 1 April 2026 (it was \$290 before). It is set by s. 18 of the [regulation under the Cooperatives Act](#) and indexed every 1 April (s. 20); an application to amend the articles costs \$80 (Québec.ca). Files go to the Direction de l'entrepreneuriat collectif at the Ministère de l'Économie, de l'Innovation et de l'Énergie, by email with online bill payment or by mail with a certified cheque or money order.

5. Wait for the articles. If the file is complete and compliant, the articles of constitution are issued within fifteen days of the acknowledgment of receipt, and the ministry forwards them to the Registraire des entreprises for registration (Québec.ca). On receiving an application, the Minister also notifies the Conseil québécois de la coopération et de la mutualité (s. 13 of the Act).

Pre-incorporation contracts. A person who signs a contract for the future co-op before it exists is personally bound unless the contract excludes or limits their liability and says the co-op might not be constituted or might not assume it (s. 6). The co-op is bound only if it ratifies the deed after constitution (s. 5). Do not sign a lease in your own name and assume the co-op will take it over.

After incorporation: organizational meeting and registration

Organizational general meeting (AGO). The founders must hold it no later than six months after the constitution date (s. 21). Until then, **no one may make commitments in the name of the cooperative** (Québec.ca, [Démarrer une coopérative](#)). The provisional secretary calls the meeting, where the founders adopt the by-laws and elect the first board.

Mediation by-law. Within the year following constitution, the cooperative must adopt a by-law on using mediation to settle disputes between members and the cooperative (s. 54.1).

Registraire des entreprises. Every cooperative must file an initial declaration after its constituting act is deposited. It is free if filed within 60 days of registration; after that a late-filing penalty applies ([Québec.ca](#)). Registry fees for a cooperative under the 2026 schedule ([Registraire, RE-101 2026](#)):

Filing	Regular fee	Priority fee
Initial declaration filed on time	Free	\$24
Annual updating declaration filed on time (includes annual registration fee)	\$48	\$72
Current updating declaration	Free	\$24
Application for dissolution and liquidation	Free	\$24

A late annual updating declaration costs \$24 (half the annual fee), and unpaid annual fees bear a 5% penalty plus 1% per full month of delay, up to 12 months (same source).

The co-op needs a domicile in Quebec, stated on Form 2.1; a business address keeps members' home addresses off the public register. Our guide on [the head office address on Quebec filings](#) explains what the Registraire accepts.

What Bill 111 changed in 2026

Bill 111 (43rd Legislature), the *Act to modernize the Cooperatives Act and to amend other provisions*, became S.Q. 2026, c. 1; its amendments to the Act took effect on **24 February 2026**, the date of the current versions of the amended sections on [LégisQuébec](#). It did not change the founder minimums, the \$295 constitution fee or the constitution forms (Forms 1, 2, 2.1 and 3, plus 4 and 5 where a legal person is a founder). The main points listed by the ministry ([Québec.ca, 2026 amendments](#)):

- **Collective-interest cooperative.** A co-op operated also in the interest of a collectivity defined in its articles may use "CIC" in its name (s. 16.1).
- **Non-profit declaration.** A co-op whose articles prohibit rebates and interest on preferred shares may declare itself non-profit (s. 148).
- **Reserves and membership.** The general reserve and reserve for future rebates described above; membership can never fall below the founder minimum.
- **Share disclosure.** Annual reporting to all shareholders, members and non-members, on all shares issued.
- **Assets at fair value.** Outside the ordinary course of business, co-op assets cannot be bought by members, or sold by directors, below market value.
- **Disputes and meetings.** A by-law to help resolve disputes with members is mandatory, a penalty can replace suspension or exclusion of a member, and two members can call a general meeting if the board fails to.
- **Shareholder liability.** Shareholders are not liable, by reason of holding shares, for the co-op's acts or obligations (s. 38.2.1).
- **Family members** for consumer co-ops, a standalone winding-up regime and updated penal provisions.

A pre-2026 by-law template will still say "mandatory reserve" and lacks the dispute-resolution by-law; update both before adoption.

Tax treatment in one page

A non-financial cooperative is taxed as a corporation. It files a federal T2 return and a Quebec CO-17 return like any other corporation, with the same instalment and deadline rules (see our [2026 Quebec tax instalment calendar](#)).

The main co-op difference is the **patronage dividend deduction**. Under [s. 135\(1\) of the Income Tax Act](#), a co-op deducts patronage payments made, under allocations in proportion to patronage, in the year or within 12 months after it; the claim is made on [Schedule 16](#). If allocations are not made at the same rate to all customers, the deduction is capped at the income from business with members (s. 135(2)). Under s. 135(3), the co-op must withhold 15% of patronage payments to a Canadian resident above \$100 in a calendar year and remit it to the CRA.

For a work cooperative, members are usually employees of the co-op, so the co-op runs payroll with source deductions; rebates are separate from wages.

Cooperative vs corporation vs partnership: comparison table

	Cooperative (Quebec)	Business corporation (Quebec)	General partnership
Minimum founders	5 (3 for work co-ops)	1	2
Who controls	Members, one vote each (s. 68)	Shareholders, votes follow shares	Partners, per agreement
Profit sharing	Rebates by use; general reserve first	Dividends by shares	Per agreement
Member liability	Limited to shares subscribed	Limited to shares	Unlimited, joint
Government constitution fee (2026)	\$295 (Québec.ca)	\$397 (Québec.ca , société par actions fees)	\$63 registration declaration
Annual registration fee (2026)	\$48	\$106	\$63
Mandatory governance	Board of 3+, AGO, annual meeting, by-laws	Board, annual resolutions	None by law beyond agreement
Outside equity	Limited; preferred shares possible	Easy	Not applicable
Best fit	Groups of users or workers who want equal control	Founders who want to raise capital or sell	Two or three people testing a venture

For incorporation cost details beyond government fees, see [Canada incorporation costs in 2026](#).

Support networks and next steps

Québec.ca points founders to social economy support organizations and supplies templates for the pre-incorporation commitment, the organizational meeting notice and the membership declaration ([Québec.ca, Démarrer une coopérative](#)).

Founders checklist

- ☐ Confirm the type: work, producers, solidarity, consumer or shareholding workers.
- ☐ Recruit at least the minimum number of founders, plus a buffer in case someone leaves.
- ☐ Form a provisional committee; run feasibility and viability numbers.
- ☐ Draft by-laws: qualifying shares, board size (3 or more), rebate method, mediation by-law, trial period for workers.
- ☐ Choose a name including "coop" (and "solidarity coop" if applicable).
- ☐ Choose the co-op's domicile in Quebec.
- ☐ Hold the founders meeting; appoint the provisional secretary; sign Forms 1, 2, 2.1 and 3.
- ☐ File with the \$295 fee; expect the articles within 15 days of acknowledgment if complete.
- ☐ Sign nothing for the co-op until after the AGO, or exclude your personal liability in writing.
- ☐ Hold the AGO within six months; adopt by-laws; elect the board.
- ☐ File the initial declaration with the Registraire within 60 days of registration.
- ☐ Register for tax accounts and set up the s. 135 withholding before paying the first rebates.

2727 Coworking in Griffintown rents a meeting room for up to eight people by the day, a practical size for a founders meeting or a small board ([conference room](#)).

Sources

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4. Principes du modèle d'entreprises coopératives ([Québec.ca](#))
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7. Tarifs du Registraire des entreprises pour une coopérative ([Québec.ca](#))
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Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

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