



# Guiding businesses through the response to COVID-19:

Outline of support programs

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# A look at the landscape

## Help for businesses

- Canada Emergency Wage Subsidy (CEWS)
- Temporary Wage Subsidy (10%)
- Work-Sharing Program
- Canada Emergency Commercial Rent Assistance (CECRA)
- Canada Emergency Business Account (CEBA)
- Business Credit Availability Program (BCAP)
- CanExport Program (enhanced)
- Corporate tax filing / remittance deferrals

## Help for individuals

- Canada Emergency Response Benefit (CERB)
- Personal tax filing / remittance deferrals

# Help for businesses: Wage subsidies

- Canada Emergency Wage Subsidy (CEWS)
- Temporary Wage Subsidy
- Work-Sharing Program

# Canada Emergency Wage Subsidy (CEWS)



Help business keep and return workers to their payroll (75% wage subsidy)

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*Most significant of the support programs, also the most complicated.*



# Canada Emergency Wage Subsidy

## At a glance

- Generally equal to 75% of eligible remuneration (maximum \$847/week)
- No overall limit employer can claim
- Must apply each month for the subsidy
- Pay employee wage first, then apply for CEWS
- Runs from March 15 to June 6, 2020

# Canada Emergency Wage Subsidy



## Who is eligible to apply?

- An individual, including trusts
- A taxable corporation
- A registered charity, other than a public institution
- A non-profit organization, other than a public institution
- A partnership, all of the members of which are described in 1-4, or
- A prescribed organization

# Canada Emergency Wage Subsidy



## How does an eligible entity qualify?

- Must see a decrease in qualifying revenues in the 'current reference period' as compared to a 'prior reference period'
- Qualifying revenues = complicated definition with potentially many choices that must be made

**15% decrease**

March 2020

**30% decrease**

April or May 2020

# Canada Emergency Wage Subsidy



Current ref period	% drop	Compare to Prior ref period, either:		Qualifying period:
		METHOD 1	METHOD 2	
March 2020	15%	March 2019	$\frac{\text{Jan} + \text{Feb 2020}}{2}$	March 15 – April 11, 2020
April 2020	30%	April 2019		April 12 – May 9, 2020
May 2020	30%	May 2019		May 10 – June 6, 2020





# Canada Emergency Wage Subsidy

## How is it calculated?

### 4 components:

1. Wage subsidy (75% of wages)
2. CPP, EI, QPP, QPIP for furloughed employees

### less

3. Temporary wage subsidy (10% of wages)
4. Work-share benefits

# Canada Emergency Wage Subsidy



## Wage subsidy - The greater of 1 or 2:

### 1. The lesser of:

- 75% of the remuneration paid per week, and
- \$847/week

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### 2. The least of:

- The amount of remuneration paid per week,
- 75% of baseline remuneration, and
- \$847/week

### General rule

Eligible remuneration includes amounts from which the employer would be required to withhold tax on, with exceptions



# Canada Emergency Wage Subsidy

## Wage subsidy - **NAL employee**:

### 1. The lesser of:

- 75% of the remuneration paid per week,
- \$847/week, and
- **\$nil**

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### 2. The least of:

- **The amount of remuneration paid per week,**
- **75% of baseline remuneration, and**
- **\$847/week**



# Canada Emergency Wage Subsidy

## Access and other considerations

- Applications now open (as of April 27)
- Pay employee wages first, then apply for CEWS
- Keep documentation:
  - Qualification for CEWS
  - Calculation of subsidy
  - Form RC661: attestations and elections

# Canada Emergency Wage Subsidy



## How to apply

- 1 Apply using My Business Account on CRA website
- 2 Utilize a business representative to apply on your behalf
- 3 Use the Web Forms application with web access code

# Temporary Wage Subsidy (10%)



Provides savings to employers by reducing the amount of income tax remittance on workers' wages

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*Consider this wage subsidy if not eligible for CEWS.*

# Temporary Wage Subsidy (10%)



## Who is eligible to apply?

- Canadian-controlled private corporations (CCPC) that are eligible for the small business deduction in the prior year
- Individuals, other than trusts (i.e., sole proprietorships)
- Partnerships whose partners are all individuals, corporations or a registered charity
- Not-for-profit organizations
- Registered charities



# Temporary Wage Subsidy (10%)

## Program basics

- Maximum of \$1,375 for each employee; \$25,000 total for employer
- Covers time period from March 18<sup>th</sup> to June 20, 2020
- Can only be applied against income taxes (not CPP/EI remittances)
- If employer chooses NOT to reduce remittances during the year, can still apply and:
  - Request payment at the end of the year, or
  - Transfer the subsidy to next year's remittance





# Temporary Wage Subsidy (10%)

## Important rules

- CCPCs must have taxable capital employed in Canada in the preceding year, calculated on an associated group basis, of less than \$15 million.
- Each corporation wanting to take advantage of the subsidy must have a business limit allocation in the preceding year greater than nil.
- Consider amending and reallocating business limit in prior year to qualify for the subsidy.



# Qualifying for CEWS and TWS

## If you qualify for both CEWS and TWS

- Required to reduce CEWS by amount of TWS you are *eligible* for.
- Calculate the TWS and reduce payroll remittances.
- Some employees may qualify for TWS, but not CEWS

# Work-Sharing Program



Designed to help employers avoid layoffs when there is a temporary reduction in the normal level of business activity, beyond the control of the employer

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- *Agreement between **Employer** + **Employee** + **Service Canada***
- *Reduced work levels (shared working arrangements)*
- *Reduced salary with EI top-up*

# Work-Sharing Program



## Who is eligible to apply?

Employers that have WS agreements that:

<b>Were signed between</b>	March 15, 2020 – March 14, 2021
<b>Began, or ended between</b>	March 15, 2020 – March 14, 2021
<b>Ended between</b>	June 23, 2019 – March 14, 2020 (and are in their mandatory cooling-off period)



# Work-Sharing Program

## Who is eligible to apply?

Employees must meet following criteria:

- Year-round, permanent, full-time or part-time employees needed to carry out the day-to-day functions of the business (“core staff”)
- Eligible to receive EI benefits
- Agree to reduce their normal working hours by the same percentage and to share the available work



# Work-Sharing Program

## Changes to the program:

- Extension from 38 weeks to 76 weeks
- Waiver of previous “cooling-off” period.
- Recovery plan requirements simplified.
- Expanded eligibility to businesses, Government Business Enterprises and non-profit organizations.
- Extended participation to employees.
- Application process streamlined.

# Help for businesses: Access to credit

- Canada Emergency Commercial Rent Assistance
- Canada Emergency Business Account (CEBA)
- Business Credit Availability Program (BCAP)
- Farm Credit Corporation (COVID-19 Support Program)
- Can-Export Program

# Canada Emergency Commercial Rent Assistance (CECRA)



75% of rent forgiveness for small business tenants

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*Available for April, May and June 2020*



# Canada Emergency Commercial Rent Assistance

## How it works

- Available to commercial property owners
- Forgivable loan to landlord for 50% of rent
- Loan forgiven if landlord provides at least 75% rent forgiveness to qualifying tenants
- Tenant pays remaining 25% of rent
- Landlord foregoes 25% of rent

### Note

Application deadline is August 31, 2020. If landlord receives CECRA after June, can either refund to tenant or provide future credit.

# Canada Emergency Commercial Rent Assistance

## Tenants – Who is eligible?

- Tenants who pay < \$50k per month, per location
- Ceased operations **or** 70% decline in revenue
- Maximum \$20 million in gross annual revenue
- NPOs, charities can also apply

# Canada Emergency Commercial Rent Assistance

## Landlords – Who is eligible?

- Landlords with commercial tenants
- Mortgage loan secured by commercial real property with one or more small business tenants
- For April, May, June:
  - Rent reduction of at least 75%
  - Moratorium on eviction
- Rental income for 2018/2019
- No attempt to recover foregone revenue

# Canada Emergency Commercial Rent Assistance

## Process

- Application to be available on CMHC website
- Application expected to open in mid-May
- Landlord will need to apply

# Canada Emergency Business Account (CEBA)



Provide support for small business owners in meeting their immediate cash flow needs.

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*Total of \$25 billion in funding promised*

# Canada Emergency Business Account



## What we know

- Up to \$40,000 available per organization
- Revolving line of credit until December 31, 2020
- At January 1, 2021, outstanding balance converts to 5-year non-revolving term loan maturing December 31, 2025
- Interest-free until January 1, 2023, after which interest will be 5% p.a., payable monthly and accruing on the last day of each month

### Note

If 75% of the original balance is repaid by December 31, 2022, the remaining 25% will be forgiven (up to \$10,000)

# Canada Emergency Business Account



## Who is eligible to apply?

- Small businesses
- Not-for-profit organizations

# Canada Emergency Business Account



## Other eligibility considerations

- 2019 total payroll between \$20,000 and \$1.5M
- Required to have a federal tax registration number
- Holds business account with financial institution
  - Opened on or prior to March 1, 2020
  - Cannot be arrears on existing borrowing facilities for 90 days or more as of that date



# Canada Emergency Business Account



## Process

- Loans obtained through your primary financial institution
- Online application
- Bank reviews application to see if it meets the government's criteria
- If approved, the money will be immediately deposited directly into your business bank account

# Business Credit Availability Program (BCAP)



Provide SMEs with working capital, operating credit and cash flow term loans

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*Total of \$40 billion in funding promised*

# Business Credit Availability Program (BCAP)



## Business Development Bank of Canada (BDC)

- Payment deferrals, working capital loans, co-lending
- \$20 billion total available funds

## Export Development Canada (EDC)

- Loan guarantees, export guarantees, credit insurance
- \$20 billion total available funds

### Note

Programs can be stacked for up to \$12.5M in additional liquidity

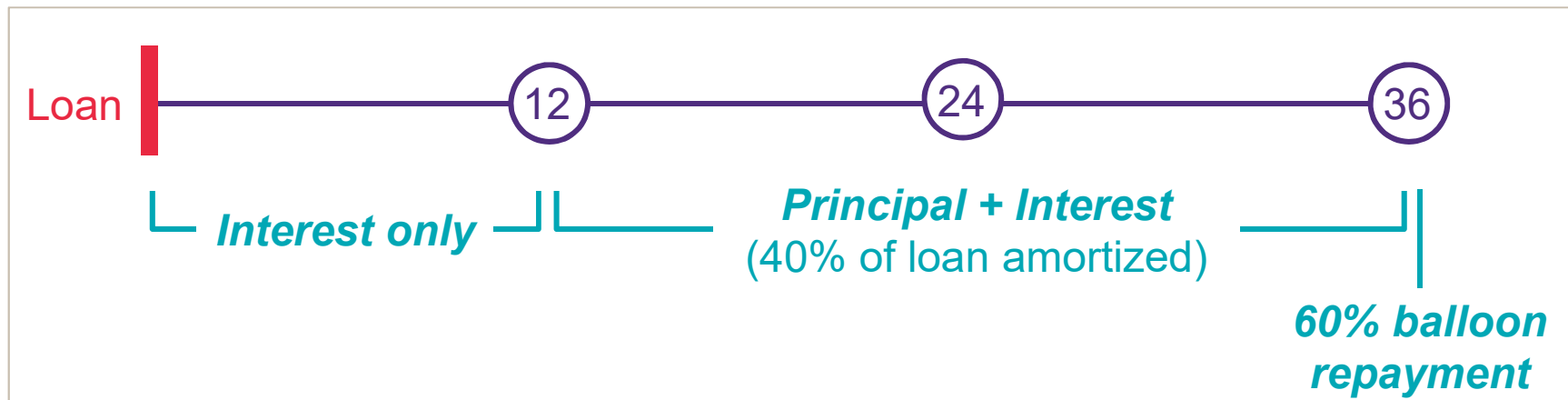
# Business Credit Availability Program (BCAP)



BDC – Working Capital Loan

**Amount:** Up to \$2 million

**Term:** 36 months



# Business Credit Availability Program (BCAP)



BDC – Co-lending

**Amount:** Up to \$6.25 million

**Term:** 10 years

- Interest only for first 12 months, then as determined by operating lender based on underwriting / risk rating by existing operating lender
- Underwriting: operating lender assesses risk rating and underwriting, bank underwriting provided to BDC, application initiated via operating lender
- Funding: 80% BDC and 20% bank

# Business Credit Availability Program (BCAP)



## EDC – Loan guarantees

**Amount:** Guarantee up to a max of 80% to operating lender

**Term:** Guarantee available for 12 months, with one automatic renewal for additional 12 months

- Expanded mandate to include Canada exporting and non-exporting companies
- EDC fee of 1.8% p.a., in addition to commercial loan pricing set by operating lender (all companies qualify for 6-month deferral of the EDC fees)
- Underwriting completed by operating lender and provided to EDC w/ approval

# Business Credit Availability Program (BCAP)



EDC – Export guarantee program

- Guarantee up to 75% of either operating or term lending, not to exceed \$10 million (USD)
- Fees based on risk rating, length of coverage and required amount of financing

# Business Credit Availability Program (BCAP)



EDC – Credit insurance program

## Credit insurance program

- Provides receivable insurance against specific foreign trade receivables, subject to EDC approval
- COVID update:
  - Temporarily insure receivables of domestic customers
  - Higher risk tolerance based on COVID
  - For limited time, cover losses for goods shipped, even if buyer has not accepted



# Business Credit Availability Program (BCAP)



## Who is eligible to apply?

- Small and medium sized enterprises (SMEs)
- Organizations that existed prior to March 1, 2020
- Organizations with viable business models whose access to financing would otherwise be restricted
- Organizations that have exhausted the financing available through their primary financial institution

# Business Credit Availability Program (BCAP)



## Process

- Exact processes for each specific program are currently undefined
- Organizations should approach their primary financial institution for the financing they need to continue operating
  - Should the financial institution be unable to meet the organization's funding needs, the financial institution will work with the EDC and/or the BDC to access additional resources available under the BCAP

# Farm Credit Corporation



Payment deferral and new operating lines available to businesses in many industries

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*To ensure producers, agribusiness, and food processors can remain focused on business-critical functions during this challenging time*



# Farm Credit Corporation

**Amount:** \$500K revolving operating line

**Term:** 24 months

- Deferral of principal and interest payments up to 6 months for existing loans
- Deferral of principal payments up to 12 months
- Repayment: interest only for 24 months. Balance must decrease to 50% of authorized amount (i.e. \$250k) once per year. Repayment or refinance at end.
- Pricing: prime plus 1% and no fees



# Farm Credit Corporation

## Who is eligible to apply?

- Organizations that existed before March 1, 2020
- Significant portion of revenue from activities involving agriculture or a business related to agriculture
- FCC customers and non-customers
- Currently not available for business in the following industries: hospitality, tourism, bars, full-service restaurants, cannabis
- Assessed by FCC on a case-by-case basis.
- Subject to normal lending due diligence procedures

# Help for businesses: Corporate tax filings and remittance deferrals





# Corporations

- Filing extension to June 1, 2020 for tax year ends otherwise due between March 19, 2020 and May 31, 2020
- Balance due date extension to September 1, 2020 for Part I tax due on or after March 18, 2020
- 2020 instalments extension to September 1, 2020 for Part I tax instalments due for March 2020 to August 2020



# Partnerships

## Partnerships

- Filing extension to May 1, 2020 if original due date was March 31<sup>st</sup>

## Foreign Reporting

- T1134's that were due March 31, 2020 have an extension to June 1, 2020

## Election Forms

- Election forms due on or after March 18, 2020 is extended to June 1, 2020.



# GST/HST and duties



All businesses can defer remittances of GST/HST, custom duties, and GST on import until June 30

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<b>Monthly filers</b>	February, March, April remittances
<b>Quarterly filers</b>	Remittances for January 1 – March 31
<b>Annual filers</b>	Instalments or amounts due in March, April or May
<b>Custom duties / GST on imports</b>	March, April, May

# Help for individuals:

- Canada Emergency Response Benefit (CERB)
- Personal tax filings / remittance deferrals

# Canada Emergency Response Benefit



Provides financial support to employees and self-employed who have stopped working

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- *\$500 a week for up to 16 weeks*
- *Replaces the previously announced **Emergency Care Benefit** and the **Emergency Support Benefit***

# Canada Emergency Response Benefit



## Who is this for? Those who:

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Have lost their job or can't work due to business shutdown</li></ul> | <ul style="list-style-type: none"><li>• Are sick or quarantined</li></ul>                  |
| <ul style="list-style-type: none"><li>• Are taking care of someone who is sick with COVID-19</li></ul>       | <ul style="list-style-type: none"><li>• At home without pay to care for children</li></ul> |

# Canada Emergency Response Benefit



## How is this different from EI?

	EI	CERB
<b>Processing time</b>	30 days plus	10 days
<b>Dollar value</b>	Varies 55% of “average insurable weekly earnings”	Flat rate \$500 / week
<b>Length</b>	14 – 45 weeks	16 weeks
<b>Payment</b>	Bi-monthly, typically	Every 4 weeks
<b>Taxable</b>	Yes	Yes

# Canada Emergency Response Benefit



## Already receiving EI (either regular or sickness)

- Do NOT apply to CERB
- Can apply for CERB if benefits end before October 3, 2020

## Already applied; application not yet processed

- Do NOT apply to CERB

# Canada Emergency Response Benefit



## Process

- Application available online and access limited based on birth month:

Birth month	Apply date
January – March	Mondays
April – June	Tuesdays
July - September	Wednesdays
October - December	Thursdays
Any month	Friday, Saturdays, and Sundays

# Additional resources



# Grant Thornton's COVID-19 Info Hub

[www.grantthornton.ca](http://www.grantthornton.ca)



# Questions?

Thank you!

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