



Assurance



Tax



Advisory

COVID-19: Relief Measures for Businesses

Overview of measures based on information
available at this time

May 8, 2020





Background and Available Programs

Webinar Objectives

- Present main programs available
- Present eligibility criteria, exceptions and relief
- Answer questions
- Take note of your concerns



Summary of Available Programs

	Federal			Quebec	
Subsidies	Canada Emergency Wage Subsidy <ul style="list-style-type: none"> 75% of wages paid 15%/30% drop in income 	Temporary Wage Subsidy <ul style="list-style-type: none"> 10% of wages paid 	Canada Emergency Response Benefit (CERB) <ul style="list-style-type: none"> \$2,000/month 	Programme actions concertées pour le maintien en emploi (PACME) <ul style="list-style-type: none"> Up to 100% of training costs and salaries 	Incentive program to retain essential workers (IPREW) <ul style="list-style-type: none"> \$100/week
Loans and loan guarantees	Canada Emergency Business Account <ul style="list-style-type: none"> \$40,000 loan guarantee Interest free 25% written off (before end of 2022) 	Canada Emergency Rent Assistance <ul style="list-style-type: none"> 50% 	BDC/EDC joint loan program <ul style="list-style-type: none"> Loans and loan guarantees 	Emergency aid for small- and medium-sized businesses <ul style="list-style-type: none"> Loans and guarantees (RCM) 	Concerted Temporary Action Plan for Businesses (PACTE) <ul style="list-style-type: none"> Loans and guarantees (IQ)
Relief and deferrals	Tax and instalment deferrals <ul style="list-style-type: none"> September 1 	GST/HST payment deferral <ul style="list-style-type: none"> June 30 	Customs duties deferral <ul style="list-style-type: none"> June 30 	Tax return and instalment deferrals <ul style="list-style-type: none"> September 1 	QST payment deferral <ul style="list-style-type: none"> June 30



Canada Emergency Wage Subsidy

* Bill C-14

Canada Emergency Wage Subsidy

SUMMARY

- Wage subsidy granted to the employer
 - 75% of remuneration paid, up to \$847 per week per employee
- Period of March 15 to June 6, 2020 (3 x 4 weeks)
- Employers who see a drop of at least 30% in revenue (15% for March)



Canada Emergency Wage Subsidy (Cont'd)

ELIGIBLE EMPLOYERS

- Employers of all sizes and all industry sectors (except for public sector entities)
 - Individuals (including trusts)
 - Taxable corporations
 - Partnerships consisting of eligible employers
 - Non-profit organizations
 - Registered charities
 - Organizations covered by regulations



Canada Emergency Wage Subsidy (Cont'd)

DECLINE IN REVENUE TEST

- Demonstrate a drop in revenue of at least:
 - 15% for the month of March
 - 30% for the months of April and May
- Revenue:
 - from the sale of goods, the rendering of services and the use by others of resources of the entity in the particular period
 - from arm's length parties (subject to some exceptions)
 - Excluding:
 - income from extraordinary items
 - amounts on account of capital
 - amount of wage subsidies received (10% and 75%)



Canada Emergency Wage Subsidy (Cont'd)

DECLINE IN REVENUE CRITERION – CHOICES TO MAKE

- Reference periods used to compare March, April and May 2020:
 - March, April, and May 2019, or
 - Average of revenue earned in January and February 2020
- Accounting method:
 - Accrual basis or
 - Cash basis
- In both cases, the method must be used for the entire duration of the program
- Analyzing options and planning upcoming claims properly is critical



Canada Emergency Wage Subsidy (Cont'd)

DECLINE IN REVENUE CRITERION – CHOICES TO MAKE (CONT'D)

■ Non-arm's length:

- When 90% or more of the qualifying revenue is derived from persons or partnerships not dealing at arm's length with the eligible entity, a joint election must be made for all the corporations to calculate the eligible entity's qualifying revenue
- In such a case, the employer can determine its eligibility for the Canada Emergency Wage Subsidy using a formula that considers calculation of this criterion within the entities with which it is not at arm's length
- The concept of non-arm's length includes corporations in a corporate group, which also includes a de facto non-arm's length relationship

Canada Emergency Wage Subsidy (Cont'd)

DECLINE IN REVENUE CRITERION

- For greater certainty for employers, the government has announced that if an employer is considered eligible for a specific given period, that employer will automatically be eligible for the next period
- However, it will still need to apply for each period

Canada Emergency Wage Subsidy (Cont'd)

CALCULATING THE SUBSIDY

- The amount will be the higher of the following amounts for a given employee:
 - 75% of remuneration paid to a maximum of \$847 per week
 - The lesser of:
 - The remuneration paid to a maximum of \$847 per week **and**
 - 75% of the employee's pre-crisis weekly remuneration
- Special rule for employees who do not deal at arm's length:
 - The subsidy amount is limited to the remuneration actually paid, up to 75% of the employee's pre-crisis weekly remuneration (a maximum benefit of \$847 per week)
 - Subsidy available only if already an employee before March 15, 2020

Canada Emergency Wage Subsidy (Cont'd)

REVENUE CALCULATION - EXCEPTIONS

- **Consolidated group:**
 - When consolidated financial statements are prepared, each member of the group can determine its qualifying revenue separately, provided **each member of the group determines its qualifying revenue on that basis**

- **Affiliated group:**
 - Each member of a group of affiliated eligible entities can make a **joint election** so that qualifying revenue is determined on a consolidated basis for each member of the group, even if one or more members of the affiliated group does not have any revenue to declare for the application period.

Canada Emergency Wage Subsidy (Cont'd)

ELIGIBLE REMUNERATION

- Eligible remuneration includes salary, wages, and other remuneration, except for the following:
 - a) Retiring allowances
 - b) Severance pay
 - c) Items such as stock option benefits
 - d) The personal use of a corporate vehicle
 - e) Amounts that can reasonably be expected to be returned to the employer
 - f) Any amount paid under an arrangement to increase an employee's baseline remuneration
- The pre-crisis weekly remuneration for a given employee is based on the average weekly remuneration paid between January 1 and March 15, 2020 inclusively, excluding any seven-day periods in respect of which the employee did not receive remuneration
- Eligibility for the subsidy for a given employee will be limited to employees who were not without remuneration for more than 14 consecutive days during an eligibility period

Canada Emergency Wage Subsidy (Cont'd)

REFUND FOR PAYROLL CONTRIBUTIONS - FEDERAL

- In addition to the wage subsidy, employers are entitled to a 100% refund of the following employer-paid contributions for eligible employees for each week throughout which those employees are on leave with pay and for which the employer is eligible to claim the subsidy BUT who do not perform any work for the employer in that week:
 - Employment Insurance
 - Canada Pension Plan
 - Quebec Pension Plan and
 - Quebec Parental Insurance Plan.
- Employers are required to continue to collect and remit employer and employee contributions to each program as usual but can apply for a refund at the same time that they apply for the subsidy
- This refund is not subject to the weekly maximum benefit per employee of \$847 that an eligible employer may claim in respect of the subsidy

Canada Emergency Wage Subsidy (Cont'd)

CREDIT FOR EMPLOYER CONTRIBUTION TO THE HSF FOR EMPLOYEES ON PAID LEAVE

- The Quebec government is introducing a credit for employer contributions to the Health Services Fund (HSF) to complement the CEWS
- This credit applies to employers that benefit from the Canada Emergency Wage Subsidy and have an establishment in Quebec
- The credit will be for a maximum of 12 weeks, retroactive to March 15, 2020. Similar to the repayment of certain employer contributions granted by the federal government, this credit will be equal to the total HSF contribution paid by an **eligible employer** for the salary paid to **certain employees on paid leave**

Canada Emergency Wage Subsidy (Cont'd)

CREDIT FOR EMPLOYER CONTRIBUTION TO THE HSF FOR EMPLOYEES ON PAID LEAVE

- **Eligible employers:** eligible entities (for the CEWS) that have an establishment in Quebec
- **Eligibility period:** same periods as the CEWS, that is:
 - March 15, 2020 to April 11, 2020
 - April 12, 2020 to May 9, 2020
 - May 10, 2020 to June 6, 2020
- **Calculating the credit:**
 - An eligible employer that, during the year, paid eligible remuneration to an employee is deemed to have paid an amount as its HSF contribution for all the amounts where each represents an **eligible expense** for the employer
- **Eligible expense:**
 - Amount paid by the employer as its HSF contribution that is attributable to the eligible remuneration paid to the employee for a week included in a qualifying period

Canada Emergency Wage Subsidy (Cont'd)

SUBSIDY DETAILS

- Employers may also be eligible for a subsidy of **75% of remuneration paid to new employees** (to the \$847 maximum)
- The Minister expects employers to make their “best efforts” to pay any remaining balance on employees’ salaries to bring them to pre-crisis levels.
- Thus, the eligible remuneration is established according to the pay period and not on a cash basis.
- There is **no overall limit** on the total wage subsidy that an eligible employer can claim.

Canada Emergency Wage Subsidy (Cont'd)

QUALIFYING PERIOD

- To qualify for the subsidy, the employer's gross revenues must have dropped by at least 15% in the month of March and 30% in the months of April and May
- Eligibility is determined on the basis of the change in the eligible employer's monthly revenues, year-over-year, for the calendar month the period started

	Claim period	Reference period for eligibility purposes
Period 1	From March 15 to April 11	March 2020 over: <ul style="list-style-type: none">• March 2019 or• Average of January and February 2020
Period 2	From April 12 to May 9	April 2020 over: <ul style="list-style-type: none">• April 2019 or• Average of January and February 2020
Period 3	From May 10 to June 6	May 2020 over: <ul style="list-style-type: none">• May 2019 or• Average of January and February 2020

Canada Emergency Wage Subsidy (Cont'd)

QUALIFYING PERIOD (CONT'D)

- When the revenue reduction criterion is met for one month, it is possible to obtain the assistance for a period of four weeks

HOW TO APPLY

- Eligible employers can apply for the CEWS through the CRA's *My Business Account* portal or a web-based application
- The first payments will start as of May 5
- Employers will need to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees
- The individual who has principal responsibility for the financial activities of the eligible entity must attest that the application is complete and accurate in all material respects
- Employers who have not yet registered for *My Business Account* should do so immediately, since it can take 5 to 10 business days to receive the access code by mail.

Canada Emergency Wage Subsidy (Cont'd)

HOW TO APPLY (CONT'D)

- Applications may only be submitted after the end of the qualifying period and the remuneration covered by the claim must have been paid at the time the application is submitted
- Applications must be submitted no later than September 30, 2020
- If the application is submitted by a representative, including an employee duly authorized by his or her employer, in Represent a Client, the representative must have a signed attestation from the business owner or the person with responsibility for the financial activities
- Payment will generally be issued within 10 business days of the application if the employer is registered for direct deposit.
- A payment will be issued automatically for most applications.

Canada Emergency Wage Subsidy (Cont'd)

PENALTIES

- **Anti-abuse** rules will be proposed to prevent fraudulent claims and ensure that employees receive the amounts owed to them
- The federal government is considering creating new offences for individuals, employers or business administrators who provide **false or misleading information** to obtain access to this benefit or who misuse any funds obtained under the program
- A subsidy that was improperly claimed will have to be repaid in full
- **The penalties may include fines, including a penalty equal to 25% of the value of the subsidy claimed or even imprisonment**

Canada Emergency Wage Subsidy (Cont'd)

EXAMPLE - SCENARIO 1 (100% REMUNERATION)

	Employee 1	Employee 2	Employee 3	Employee 4	Employee 5
Pre-crisis annual gross remuneration	\$20,000	\$40,000	\$58,700	\$80,000	\$100,000
Pre-crisis weekly remuneration	\$385	\$769	\$1,129	\$1,538	\$1,923
Gross remuneration paid during the crisis	\$385	\$769	\$1,129	\$1,538	\$1,923
a) 75% of the remuneration paid (Max. \$847)	\$288	\$577	\$847	\$847	\$847
b) Lesser of i. and ii.	\$288	\$577	\$847	\$847	\$847
i. Remuneration paid (max. \$847)	\$385	\$769	\$847	\$847	\$847
ii. 75% of pre-crisis remuneration	\$288	\$577	\$847	\$1,154	\$1,442
SUBSIDY [higher of (a) and (b)]	\$288	\$577	\$847	\$847	\$847
Employee's share (paid by employer)	\$96	\$192	\$282	\$691	\$1,076
Effective subsidy % pre-crisis	75%	75%	75%	55%	44%
Effective subsidy % during the crisis	75%	75%	75%	55%	44%

Canada Emergency Wage Subsidy (Cont'd)

EXAMPLE - SCENARIO 2 (50% REMUNERATION)

	Employee 1	Employee 2	Employee 3	Employee 4	Employee 5
Pre-crisis annual gross remuneration	\$20,000	\$40,000	\$60,000	80,000	\$100,000
Pre-crisis weekly remuneration	\$385	\$769	\$1,154	\$1,538	\$1,923
Gross remuneration paid during the crisis	\$192	\$385	\$577	\$769	\$962
a) 75% of the remuneration paid (Max. \$847)	\$144	\$288	\$433	\$577	\$721
b) Lesser of i. and ii.	\$192	\$385	\$577	\$769	\$847
i. Remuneration paid (max. \$847)	\$192	\$385	\$577	\$769	\$847
ii. 75% of pre-crisis remuneration	\$288	\$577	\$865	\$1,154	\$1,442
SUBSIDY [higher of (a) and (b)]	\$192	\$385	\$577	\$769	\$847
Employee's share (paid by employer)	\$0	\$0	\$0	\$0	\$115
Effective subsidy % pre-crisis	50%	50%	50%	50%	44%
Effective subsidy % during the crisis	100%	100%	100%	100%	88%



10% Wage Subsidy

Temporary Wage Subsidy

APPLICATION

- Employers that do not qualify for the Canada Emergency Wage Subsidy may still qualify for the **10% Temporary Wage Subsidy**
- This subsidy is available for SMEs and is equal to 10% of remuneration paid between March 18, 2020 and June 19, 2020, **up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer**



CAUTION: A corporation does not qualify for this subsidy if its business limit is more than \$0 for its last taxation year ended before March 18, 2020

Temporary Wage Subsidy (Cont'd)

EMPLOYERS ELIGIBLE FOR THE 10% SUBSIDY

Canadian-controlled private company (CCPC)

- To qualify for the subsidy, the taxable capital of CCPC in the previous year must be **less than \$15M**
- If the corporation is a member of a group of associated corporations, the taxable capital of all of the group's corporations must be less than \$15M

Temporary Wage Subsidy (Cont'd)

APPLYING FOR THE SUBSIDY

- Employers must calculate the subsidy amount they are entitled to receive themselves and reduce the payroll remittance payable to the CRA by that amount
- Employers can reduce their remittance in the first remittance period that includes remuneration paid from March 18, 2020 to June 19, 2020 (any other date in this respect will be determined subsequently)
- Employers then reduce subsequent remittances for the period until the applicable subsidy limit is reached (\$1,375 per employee, \$25,000 per employer)

Temporary Wage Subsidy (Cont'd)

INTERACTION WITH THE CANADA EMERGENCY WAGE SUBSIDY

- In the case of employers who qualify for the Canada Emergency Wage Subsidy and the 10% wage subsidy for a given period:
 - All amounts eligible to be claimed under the 10% temporary wage subsidy would reduce the amount of the CEWS in that same period even if the employer did not reduce its payroll remittances for the 10% wage subsidy for that period
 - An eligible employer who did not reduce remittances during the year can apply to have the subsidy paid at year end or transferred to the next year

Temporary Wage Subsidy (Cont'd)

TAXABLE GOVERNMENT ASSISTANCE

- A wage subsidy that an employer receives under these two programs (the Canada Emergency Wage Subsidy and the Temporary Wage Subsidy) **is considered to be government assistance and must be included in taxable income**
- Amounts received under either of the wage subsidies will **reduce the compensation expense that qualifies for federal tax credits** calculated on the basis of remuneration



Canada Emergency Response Benefit (CERB)

Canada Emergency Response Benefit (CERB)



EMPLOYEE'S ELIGIBILITY CRITERIA:

- ✓ Be at least 15 years of age
- ✓ Resident in Canada
- ✓ Income totalling at least **\$5,000** in 2019 or in the 12month period preceding the application from:

- employment
- self-employment
- a dividend other than an eligible dividend
- other amounts from a provincial parental program (QPIP)

The \$5,000 does not have to have been earned in Canada!

Canada Emergency Response Benefit (Cont'd)

EMPLOYEE'S ELIGIBILITY CRITERIA (CONT'D):

- ✓ Have ceased to work (including self-employment) for reasons related to COVID-19:
 - for a period of at least 14 consecutive days included in the four-week period for which an application is made
- ✓ During 14 days of this initial period, the employee does not or does not expect to receive more than \$1,000 before tax from:
 - employment income
 - self employment income
 - dividends other than eligible dividends
 - fees and royalties
 - any other income provided by regulations



Canada Emergency Response Benefit (Cont'd)

EMPLOYEE'S ELIGIBILITY CRITERIA (CONT'D):

- ☐ Does not receive provincial government parental benefits
- ☐ For the subsequent four-week periods, does not expect to receive more than \$1,000 before tax from:
 - employment income
 - self employment income
 - dividends other than eligible dividends
 - fees and royalties
 - any other income provided by regulations



Canada Emergency Response Benefit (Cont'd)

SPECIAL CONSIDERATIONS:



■ The benefit is available:

- for a maximum of four 4-week periods
- for the period of March 15, to October 3, 2020
- retroactively to March 15 if the application is after the loss of employment
 - for example, if an application is made on April 6, the worker would receive a benefit for the March 15 period

■ Documentation needed:

- Valid social insurance number
- No other proof needed

■ Benefit is taxable:

- Benefit is taxable, but no source deductions
- Must be included in income tax return for the 2020 tax year

Canada Emergency Response Benefit (Cont'd)

HOW TO APPLY:



1. Apply for the CERB as of April 6 on Canada.ca/coronavirus:
 - Workers can apply for the CERB through the CRA's *My Account* portal or by calling 1-800-959-2019
 - The application must be submitted no later than December 2, 2020
2. Payments are received in 3-5 business days through direct deposit or in 10 days by mail
3. Must apply for each 4-week period (max. 16 weeks)
4. **\$2,000** payment once per 4-week period
5. Applicants' eligibility will be subsequently validated

Canada Emergency Response Benefit (Cont'd)

INTERACTION BETWEEN THE CERB AND THE WAGE SUBSIDY

- Eligibility for the employee's wage subsidy is limited to employees who have not been without remuneration for more than 14 consecutive days during the eligibility period, that is from March 15 to April 11, April 12 to May 9 and May 10 to June 6
- A procedure for payment by cheque is provided for individuals who must reimburse the sums received under the CERB, because, for example:
 - they determined after the fact that they were not eligible
 - they are called back to work sooner than expected
 - they have applied for the CERB with both the CRA and Service Canada for the same period
- Employers who do not qualify for the 75% or the 10% wage subsidy can lay off their employees so the employees can receive the CERB
- Companies can therefore choose between the subsidy and lay-offs for each 4-week period that they qualify for the subsidy for the three reference periods

SITUATION 1:



An employee is paid as follows as of March 15:

Claim period	Remuneration
March 15-21	Paid
March 22-28	Unemployed and unpaid
March 29 to April 4	Unemployed and unpaid
April 5-11	Unemployed and unpaid

Can the employee still receive the CERB as at March 15? Does the employee have a four-week waiting period before qualifying?

SITUATION 2:



In the previous example, the employee qualifies as of March 15 even though the employee was paid until March 21. The first application period includes the week of March 15-21.

Period	Claim period	Reference period for eligibility purposes
1	From March 15 to April 11	March 2020 over March 2019
2	From April 12 to May 9	April 2020 over April 2019
3	From May 10 to June 6	May 2020 over May 2019

Does the employer qualify for the wage subsidy for the paid week of March 15-21?



Canada Emergency Commercial Rent Assistance

Canada Emergency Commercial Rent Assistance (CECRA)

SUMMARY

- In his April 16, 2020 press briefing, Justin Trudeau announced the introduction of the Canada Emergency Commercial Rent Assistance (CECRA) program
- The program will provide forgivable loans to owners of mortgaged commercial properties
- These loans will cover 50% of rent payable by eligible small businesses in **April** (retroactively), **May and June**
- The loans will be forgiven if the owner agrees to reduce the **small business's** rent by at least 75%, under a rent forgiveness agreement, which will include a term not to evict the tenant while the agreement is in place
- The small business tenant would cover the remainder, up to 25% of the rent



Canada Emergency Commercial Rent Assistance (CECRA)

IMPACTED SMALL BUSINESS TENANTS ARE:

Businesses (including NPOs and charitable organizations) that:

- pay no more than \$50,000 in monthly gross rent per location (as defined by a valid and enforceable lease agreement)
- generate no more than \$20M in gross annual revenues, calculated on a consolidated basis (at the ultimate parent level), and
- have either:
 - temporarily ceased operations (i.e. generating no revenues) or
 - have experienced at least a 70% decline in pre-COVID-19 revenues



Canada Emergency Commercial Rent Assistance (CECRA)

TERMS AND CONDITIONS

- Own property that generates rental revenue from commercial real property located in Canada
- Be the property owner of the commercial real property where the **impacted small business tenants** are located
- Have a mortgage loan secured by a commercial rental property where at least one of the tenants is an eligible small business
- Have entered or will enter into a rent reduction agreement for the period of April, May, and June 2020, that will reduce impacted small business tenant's rent by at least 75%
- Rent reduction agreement with impacted tenants includes a moratorium on eviction for the period of April, May and June 2020
- Have declared rental income on tax return (personal or corporate) for tax years 2018 and/or 2019



Canada Emergency Commercial Rent Assistance (CECRA)

HOW IT WORKS

- The forgivable loan can be applied retroactively
- Property owners may still apply for assistance once the 3-month period has ended if they can prove eligibility during those months
- Property owners must refund amounts paid by the small business tenant for the period
- The deadline to apply is August 31, 2020
- The forgivable loan will cover 50% of gross monthly rent for April, May and June 2020.
- The property owner will pay no less than 25% of the total
- The small business tenant will pay no more than 25% of the total
- Further details will be announced in the near future





Other Measures

Canada Emergency Business Account

SUMMARY

- Loan of up to \$40,000 secured by federal government
- Interest-free
- Businesses and NPOs that had a total payroll between \$20,000 and \$1M in 2019
- Loan refundable by December 31, 2022
- Repayment by December 31, 2022 will result in loan forgiveness of 25%
- If not repaid by December 31, 2022, will:
 - bear 5% interest
 - be payable over three years



Businesses must contact their financial institutions or complete the online form on their institution's website to request such a loan. They must provide their business number or employer account number and indicate the sum of salaries paid in 2019, as indicated in **box 14 of their 2019 T4 Summary**.

Programme actions concertées pour le maintien en emploi (PACME)

SUMMARY

- Training employees during the COVID-19 crisis
- Government will refund 100% of eligible expenses up to \$100,000 (50% between \$100K and \$500K):
 - trainers' fees
 - equipment purchases
 - human resources management
- 100% of the compensation paid to workers for the training, up to \$25 per hour (complements other measures)
- Period of March 15, 2020 to September 30, 2020





Questions

How can we help?

1. **Analyze the situation** and determine the best strategy based on the various measures
2. **Analyze eligibility** for the various measures
3. **Maximize program use** based on the organization's specific situation
4. **Provide support in preparing online applications** and dealing with the various stakeholders





Marie-Danielle Roy
Manager

Tax
514-393-4771
roy.marie-danielle@rcgt.com



Pierre Garant
Partner

Assurance
514-858-3118
garant.pierre@rcgt.com



COVID-19 help line for RCGT clients:
1-844-967-3746

Go to rcgt.com to find all the current relief measures