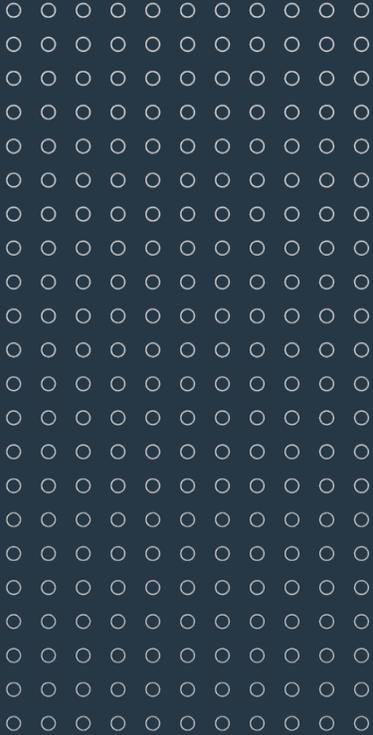


**Coronavirus (COVID-19)**  
**Canadian Federal**  
**Relief Measures**  
**for Businesses**



Updated: 18 May 2020





**As the COVID-19 pandemic continues to have a significant impact on businesses across Canada, governments continue to respond with programs designed to offer support. Here is a summary of Federal government tax and other measures developed to support business during this challenging time.**

## **75% Wage Subsidy**

On April 11, Parliament adopted the new Canada Emergency Wage Subsidy (CEWS), which will reimburse employers for 75% of their employees' salaries, up to a limit of \$847 per week, for those businesses that qualify. These wage subsidies initially applied for a twelve-week period, running retroactive from March 15 to June 6, 2020, and have now been extended for an additional twelve-week period to August 29, 2020 with further amendments and clarifications expected.

The program is intended to prevent – or at least reduce – further job losses as a result of the COVID-19 pandemic, to encourage employers to recall workers laid off as a result of the crisis, and facilitate a return to normal operations once that becomes possible.

The Federal Government expects employers to make their best efforts to maintain employee salaries at pre-crisis levels. However, what constitutes “best efforts” is not defined in the legislation and is not mandatory. Reductions in pre-crisis salaries may affect wage subsidy amounts and may have other employment consequences.

Although there is an \$847 per employee limit on the CEWS, there is no overall limit on the subsidy amount that an eligible employer may claim. Accordingly, the total amount of the CEWS that an employer may claim is limited only by the number of employees it has.

## **Eligibility**

Employers who may benefit from the subsidy include individuals, corporations, partnerships, non-profit organizations and registered charities. However, public bodies such as municipalities, local governments, colleges and universities, schools, hospitals, and Crown corporations are not eligible for the subsidy.

In order to qualify for the CEWS, an employer must have seen a reduction in revenue of 15% in March of this year, or 30% in April or May. This is to be determined based upon either a comparison of revenue for a particular month to the corresponding month in 2019, or to the employer's average monthly revenue over the two-month period from January 1 to February 29, 2020. As originally proposed, the program only allowed for the year to year comparison as a basis for eligibility, however in order to accommodate start-ups, high-growth undertakings and sectors that had faced more ordinary difficulties in 2019, the latter approach was added, and although employers are free to choose which benchmark to use, it is important to recognize that the same approach must be used by an employer throughout the duration of the program.

For the purposes of determining CEWS eligibility, an employer's revenue is its revenue from business carried on in Canada earned from arm's length sources. It excludes, however, the revenue from extraordinary items and amounts on account of capital. Employers are not limited to their ordinary accounting method in calculating revenue; they are free to do so under the accrual method or the cash method, but once having done so, are tied to that method for subsequent applications under the program. Revenue calculations for non-profits and charities will be made with respect to their specific circumstances.

Once a business qualifies for one period, it automatically qualifies for the next period.

## Individual Benefit Amounts

The 75% Wage Subsidy is available to eligible employers for up to 24 weeks retroactive to March 15, 2020. The initial twelve weeks is broken down into three periods.

	Period
Period 1	March 15 to April 11
Period 2	April 12 to May 9
Period 3	May 10 to June 6

As stated, the 75% subsidy has a maximum per-employee limit of \$847 per week, and is calculated as the greater of:

- 75 per cent of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
- the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 per cent of the employee's pre-crisis weekly remuneration, whichever is less.

The first of these two options is not available for employees who do not deal at arm's length from the employer. It is likely that the reason for this is to prevent an employer from simply adding a family member onto the payroll and claiming a subsidy, given that the second option is calculated on **pre-crisis** income, thereby leaving new hires out of the equation. As well, this second option gives rise to the possibility of the CEWS constituting 100% of the remuneration to be paid to an employee. This fact is implicitly recognized in numerous government statements to the effect that "employers are expected where possible to maintain existing employees' pre-crisis employment earnings." In short, for pre-crisis employees, the 25% spread between the subsidized wage and the full wage is at the discretion of the employer. Accordingly, an employer



who simply cannot afford any employment costs at present still has the ability to participate in the program.

Eligible remuneration to be used in these calculations may include salary, wages, and other remuneration, including that which is paid to new employees. These are all amounts that are usually subject to withholding or deductions that are to be remitted to the Receiver General in respect of the employee's income tax obligation. Eligible remuneration does not, however, include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.

CRA now has an online calculator available for employers to calculate the wage subsidy. Please see the following link: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html>

## **Apply for One Month, Receive Two Months of CEWS**

Eligibility for the CEWS is based on a single pre-defined four-week period (March 15 to April 11, April 12 to May 9, May 10 to June 6) and the determination is based on calendar month revenue reductions in March, April and May 2020, respectively. But rather than requiring employers to re-apply every four weeks. In order to provide greater certainty to employers in these very uncertain times, once an employer is found eligible for a specific period, it automatically qualifies for the next period.

## **How to Apply**

Applications for the CEWS are being taken effective April 27, 2020. The Canada Revenue Agency *My Business Account* portal will provide the means of doing so. Please see <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-how-apply.html>. Although the level of detail that is needed for an application is not extensive, nevertheless it is essential for participating employers to maintain and have available for review, financial records to show both that the necessary revenue shortfall took place, and that employees have been appropriately paid.

## **Added Relief for Paid Leaves of Absence**

Over and above the CEWS itself, the program also provides for a 100% refund of the employer share of Employment Insurance premiums and Canada Pension Plan contributions for any week over the course of which an employee performs no work for the employer but is paid nevertheless. This provides a level of relief for employers who keep employees on payroll at 75% of pre-crisis salary (or re-hire them) despite having no work available in a particular week.



## Ensuring Compliance

Penalties may apply where a CEWS application is granted based on a fraudulent claim. As well, where an employer does not meet the eligibility requirements and pay its employees accordingly, it will be required to repay any amounts paid to it under the CEWS. In addition, anti-abuse rules are pending to ensure that the subsidy is not inappropriately obtained and that employees are paid the amounts they are owed.

If an employer goes so far as to engage in artificial transactions to reduce revenue for the purpose of claiming the CEWS, then in addition to being required to repay in full the subsidy received, there will be a penalty imposed equal to 25% of the value of the amount claimed.

## Interaction with Other Programs

The 10% wage subsidy that was included in earlier COVID-19 response legislation announced on March 18, 2020 will, in most cases, reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in that same period.

The CEWS is government assistance. As such, it must be included in the employer's taxable income. Similarly, since it did not originate from the employer's pocket, any amounts received must be deducted from the payroll numbers that determine employer's eligibility for any other federal tax credits.

Employers eligible for the CEWS may already be participating in a work-sharing program as part of the Employment Insurance system. If so, then the EI benefits already being received by employees through that arrangement will reduce the benefit that the employer is entitled to receive under the CEWS.

An employer is not eligible to claim a wage subsidy for wages paid to an employee within any 4-week qualifying period during which the employee also became eligible for [CERB](#) (Canada Emergency Response Benefit). Under CERB, a laid off employee is eligible for a taxable benefit of \$2,000 every 4 weeks for up to 16 weeks.

## Limitations

It should be pointed out that while the CEWS provides a very welcome benefit to a great many businesses, it is not of assistance to a business that pays no wages. A corporation that pays its owner a salary may claim the subsidy on that salary, but at the same time, a very similar corporation whose owner receives income by way of dividends from the corporation has no ability to claim the very same benefit. Similarly, the CEWS provides no relief to sole proprietors who earn self-employment income instead of wages. Given that the government continues to

fine tune its COVID-19 response programs on an ongoing basis, it remains to be seen whether issues such as these will be addressed at a later date.

## Alternatives to CEWS

Most businesses, whether or not they are eligible for the CEWS Program, may be well advised to consider whether they could nevertheless qualify for any of the following initiatives of the federal government.

In order to be eligible for the loan programs listed below, a business must have been impacted directly or indirectly by recent events and must have been financially viable prior to the impact from COVID-19.

### EDC Guarantee

Effective March 24, 2020, [EDC is stepping up to support all exporting companies by offering their bank a guarantee on loans of up to \\$5M so that companies can access more cash immediately.](#) For more details, contact us.

The Government of Canada has also broadened the domestic powers for Export Development Canada (EDC) during the COVID-19 crisis. Through the [Business Credit Availability Program \(BCAP\), EDC will guarantee new operating credit and cash-flow term loans that financial institutions extend to small- to medium-sized enterprises, up to \\$6.25 million.](#) The program cap for this guarantee will be a total of \$20 billion for export sector and domestic companies.

A small enterprise is a business that employs up to 99 employees. A medium sized business is one that employs 100 to 499 employees. A large business is one that employs 500 employees or more.

### Business Development Bank of Canada Co-Lending Program

This will also be a joint co-lending program between the Business Development Bank of Canada (BDC) and financial institutions. Small and medium-sized businesses can get support through a new Co-Lending Program that will bring the BDC together with financial institutions to co-lend term loans to these businesses for their operational cash flow requirements. Eligible businesses may obtain incremental credit amounts up to \$6.25 million, 80% of which would be provided by BDC, with the remaining 20% by a financial institution. The BDC's portion of this program will be up to \$5 million maximum per loan.

### Canada Emergency Business Account

On April 6, the Federal Government announced The Canadian Emergency Business Account will now provide up to \$40,000 in interest free government-guaranteed loans to businesses that had payrolls last year between \$20,000 and \$1.5 million. It previously offered loans to business

with a narrower range of payrolls, between \$50,000 and \$1 million. Repaying the loan on or before December 31, 2022 will result in a loan forgiveness of 25% (up to \$10,000).

## IRAP

SR&ED (Scientific Research and Development) activities are often funded by governmental programs such as the federal Industrial Assistance Research Program (IRAP). On April 17, 2020 the Federal Government announced that it is adding \$250 million to the IRAP program.

## HST

The CRA will allow all businesses to defer, until the end of June 2020, any GST/HST payments or remittances that become owing on or after March 27, 2020, and before June 2020. No interest will apply to payments or remittances are made by the end of June 2020.

The deadline for businesses to file their returns is unchanged. HST returns should continue to be filed on a timely basis. [However, recognizing the difficult circumstances faced by businesses, the CRA won't impose penalties where a return is filed late provided that it is filed by June 30th.](#)

## Income Tax Returns Filing and Payment Extension

An extension has been granted to corporations who would had to file their tax returns after March 18 and before June 1, 2020. These corporations now have up to June 1, 2020 to file their corporate income tax return.

An extension has been granted to September 1, 2020 for income tax balances due under Part 1 of the Income Tax Act on or after March 18 and before September 1, 2020.

## Computer Equipment Purchases

On April 14, 2020, the CRA stated at the [APFF](#) (Association de planification fiscale et financière) that in the context of the COVID crisis, the CRA is willing to accept a reimbursement of an amount not exceeding \$500 for the purchase of personal computer equipment to be principally for the benefit of the employer. In other words, the \$500 would not be a taxable benefit to the employee.

## Commercial Rent Relief

The Federal Government has announced the Canada Emergency Commercial Rent Assistance program, which will provide rent relief to small businesses. This will provide loans and/or forgivable loans to commercial property owners who in turn lower or forgo the rent of small businesses for the months of April (retroactively), May, and June. Still in the earliest stages of development, the government intends to implement this program through partnerships with provincial and territorial governments, given their primary responsibility for landlord and tenant relationships.



## Keeping Up with Change

As Canadian individuals and businesses alike work to survive one of the most dramatic economic disruptions in our country's history, governments at all levels are adapting existing programs and introducing new ones at an unprecedented rate. Daily monitoring is essential to ensure that businesses are aware of the opportunities currently being provided by Federal government assistance programs.

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