

COVID-19 Federal Support Programs

Please note that most, if not all announcements have not been legislated to date and are subject to change. There are also a number of unanswered questions relating to the various programs especially as it relates to sole proprietors and corporations.

The best resource for our clients is MNP’s COVID-19 Business Advice Centre: <https://www.mnp.ca/en/covid-19>. This micro-site is the most up-to-date information MNP has to send to our clients, including what we know about the government programs

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Introduction

Federal Subsidy Programs Recently Announced:

1. The Canadian Emergency Wage Subsidy (“CEWS”)
2. The Temporary Wage Subsidy for Employers (“TWS”)
3. The Canadian Economic Response Benefit (“CERB”)

Common Situations (Incorporated / Unincorporated)	Programs that <u>could</u> apply		
	CEWS	TWS	CERB
You have ceased almost all work and have experienced a >15% drop in revenues for March and/or a revenue drop of > 30% in April/May	X	X	X
You are still working, but have a >15% drop in revenues for March and/or a revenue drop of > 30% in April/May	X	X	
You are still working and have not experienced a >15% drop in revenues for March and/or a revenue > 30% in April/May		X	
You have a corporation, or a sole proprietorship, but were not on payroll prior to March 18, 2020			X
I do not have a corporation or a payroll account			X

Act Now:

Some of the recently announced programs require additional support or account access. Consider:

- Signing up for [My Business Account](#) with the CRA.
- Signing up for [My CRA Account](#) with the CRA.
- Setting up direct deposit with the government to facilitate payments from the CRA.
- Completing your monthly financial statements → your March 31, 2020 statements should be ready as soon as possible in order to apply for CEWS (if applicable) when the online portal is open. Contact your Accountant to help facilitate this.

1. Canadian Emergency Wage Subsidy (“CEWS”)

The CEWS provides a 75 per cent wage subsidy to **eligible entity** for up to 12 weeks, retroactive to March 15, 2020.

Eligible Entity

To qualify, you must be an “Eligible Entity”. Eligible Entities include individuals, taxable corporations, partnerships, non-profit organizations, and registered charities.

An eligible entity must attest to a gross revenue drop of at least 15 percent in March 2020 and 30 percent in April/May 2020. An employer would test their monthly revenue when compared to the same month in 2019 or alternatively, the average of January and February 2020. The eligible entity must have had a CRA payroll account number by March 15, 2020.

Eligible Employees

An eligible employee is an individual who is employed in Canada.

Eligibility for the CEWS of an employee’s remuneration, will be limited to employees that have not been without remuneration for more than 14 consecutive days in the qualifying period, meaning from March 15 to April 11, from April 12 to May 9, and from May 10 to June 6.

Calculating Revenues

An employer’s revenue for this purpose would be its revenue from its business carried on in Canada earned from arm’s-length sources. Revenue would be calculated using either the accrual or cash accounting method, as long as the same method is used for all eligible periods and would exclude revenues from extraordinary items and amounts received from this program or the TWS. Employers will need to keep records supporting the reduction in revenue.

Amount of Subsidy

The subsidy amount for a given employee on “eligible remuneration” paid between March 15 and June 6, 2020 would be the greater of:

- 75 per cent of the amount of “eligible remuneration” paid, up to a maximum benefit of \$847 per week, or nil if the employee is not dealing at arm’s length with the employer; and
- The amount of “eligible remuneration” paid, up to a maximum benefit of \$847 per week or 75 per cent of the employee’s “baseline remuneration”, whichever is less.

“Eligible remuneration” includes salary, wages, and other remuneration such as taxable benefits, but does not include severance pay or items such as stock option benefits.

“Baseline remuneration” for an eligible employee is the average weekly “eligible remuneration” paid between the period January 1 and March 15, 2020, excluding any seven-day periods in which the employee was not remunerated. There is an additional limitation that can reduce the “eligible remuneration” if the eligible employee is reasonably expected to be paid a lower weekly amount than their “baseline remuneration” subsequent to the period for which the CWES is claimed.

The subsidy for employees not dealing at arm's length with their employers will only be available to those employed prior to March 15, 2020.

Employers will also be eligible for a subsidy of up to 75 percent of salaries and wages paid to new employees.

The CEWS program would also refund 100% to employers for certain employer-paid contributions to Employment Insurance and the Canada Pension Plan. This refund would cover eligible employees for each week throughout which those employees are on leave with pay and for which the employer is eligible to claim the CEWS for those employees. An employee will be considered to be on leave with pay throughout a week if that employee is remunerated by the employer for that week but does not perform any work for the employer in that week. This refund would not be subject to the weekly maximum benefit of \$847 that an employer may claim for wages with the CEWS program. There would be no overall limit on the refund amount that an eligible employer may claim

How to Apply

Eligible employers would be able to apply for the CEWS through the CRA's My Business Account portal as well as a web-based application. The application has not yet been released.

Frequently Asked Questions:

1. What is the measurement period for the 15% (March 2020)/ 30% (April/May 2020) reduction in gross revenue?

Eligibility would be determined by the change in an eligible entity's qualifying revenue on a year over year basis for the calendar month in which the period began. Alternatively, employers can compare revenue in the qualifying period to an average of revenue earned in January and February 2020. Once you choose a method (year over year, or the average of January and February), you are required to utilize that method for the remainder of the periods.

Each qualifying period must be examined independently to determine if the employer qualifies for the CEWS for remuneration paid to an employee in a qualifying period. For example, you may not qualify for period 1, but you may qualify for period 2. Also, once an employer is found eligible for a specific period, the employer will automatically qualify for the period immediately following it.

As an example, if professional corporation had reduced gross revenues of at least 15 percent for the period of March 2020 when compared to March 2019, the CEWS would be available for remuneration paid to employees for the claim period of March 15 to April 11, and then automatically qualify for the period of April 12 to May 9 as well.

The following table from the Department of Finance provides for the reference period (period to test revenue) and the qualifying period (period in which remuneration has been paid).

	Qualifying Period	Reference Period for Eligibility
Period 1	March 15 – April 11	March 2020 over: March 2019, or average of January and February 2020
Period 2	April 12 – May 9	April 2020 over: April 2019, or average of January and February 2020
Period 3	May 10 – June 6	May 2020 over: May 2019, or average of January and February 2020

- 2. My business revenues are down over 15% for the month of March 2020 but I am still collecting billings for services rendered before the COVID-19 pandemic. Is the qualifying revenue reduction based on when the work is performed or the collection date?**

Qualifying revenues are to be calculated using your normal accounting practices. Typically, businesses would use an accrual-based method of accounting. As such, any services rendered in January and February would not be included in March revenue.

Alternatively, you may elect to use the cash accounting method as long as the same method is used for all eligible periods. Please consult your accountant on which method could be most beneficial for your CEWS application.

- 3. What if I opened my business / corporation after February 2019 and the corporation does not have comparative gross revenue information. Am I still eligible for the CEWS program and how do I compute the reduction in my revenue?**

You would compare your March, April, and/or May 2020 qualifying revenue to the average of your January and February 2020 qualifying revenue.

- 4. My corporation was not earning revenue in 2019 because of maternity, disability, sabbatical or other types of leave. How do I compare qualifying revenue to determine the reduction in revenue?**

If you have revenue in January or February 2020, you could be eligible based on a formula provided in the legislation. Please consult your accountant for further information. Alternatively, if you have no revenue in January or February 2020, it appears that the CEWS would not be applicable to this situation.

- 5. How does the CEWS program work and do I need to make my payroll remittances in full?**

You need to make your payroll remittances, including Employment Insurance and Canada Pension Plan contributions, to the CRA in full. The CRA will issue a refund payment to eligible entities. We understand that the refund will be issued shortly after an application has been submitted. You should consider signing up for direct deposit with CRA to expedite CEWS refund payments.

Consider: Cashflow – there may be timing differences between payment to the employee, remittance of payroll deductions and receipt of the subsidy.

6. Could the CEWS apply to a corporation paying themselves or family members a salary?

CEWS may still apply to salaries paid to you or a family member. There are special rules that apply to employees that do not deal at arm's length. The subsidy for such eligible employees will be limited to the eligible remuneration paid in any pay period between March 15 and June 6, 2020, up to a maximum benefit of \$847 per week or 75 percent of the employee's baseline remuneration.

Baseline remuneration for an eligible employee of an eligible entity is the average weekly eligible remuneration paid between the period January 1 and March 15, 2020, excluding any or more seven consecutive days for which the employee was not remunerated. There is an additional limitation that can reduce the eligible remuneration if the eligible employee is reasonably expected to be paid a lower weekly amount than their "baseline remuneration" subsequent to the period for which the CEWS is claimed. Please consult your accountant for further information.

7. What if I hire new employees? Would wages paid to them be eligible for the CEWS program?

Eligible employers will be eligible for a subsidy of up to 75 percent of salaries and wages paid to new arms length employees.

8. I have only received dividends from my corporation. Am I eligible for the CEWS program?

You are not eligible for the CWES program as dividends do not qualify as eligible remuneration.

9. Does the CEWS program apply to corporation who did not have a payroll account open on or before March 15, 2020?

Legislation requires a business number in respect of payroll to be registered on March 15, 2020 and as such, it would appear that you will not qualify for the CEWS.

10. Will I pay income tax on any CEWS received from the government?

Yes. Corporations in Ontario who are below the small business deduction threshold will be subject to corporate income tax at a rate of 12.2%. Corporations in Ontario who are above the small business deduction threshold will be subject to corporate income tax at a rate of 26.5%.

11. I employ a full-time nanny to allow me to work. Am I eligible to claim the CEWS?

No. A requirement is to have a decline in revenue of the business which is not met. However, you could apply for the TWS.

12. When does this program begin?

It is retroactive to March 15, 2020. However, no information on when applications can start to be made has been released.

13. How do you apply?

Through your CRA My Business Account or through an online web form (yet to be released). See below for information on the CRA My Business Account.

14. I am a self-employed sole proprietorship with employees, would I still be able to access the CEWS program for my employees?

Self-employed proprietors would be eligible employers under the CEWS program. However, self-employed sole proprietors cannot pay themselves a wage.

15. CERB Repayments and CEWS

The CRA has now said that an employee can send back their payment of \$2000 if they will be hired back. It should be mailed to the following address with their SIN and “Repayment of CERB” indicated on it.

Revenue Processing – Repayment of CERB
Sudbury Tax Centre
1050 Notre Dame Avenue
Sudbury ON P3A 0C1

As for the employer they will only be eligible for that employees wage if they are not employed within 14 days of a period – the 2nd period started April 12, 2020 so the employer can hire them back now (the employee repays the CERB if they will earn more than \$1000) and then the employer can claim their wage in the subsidy.

2. Temporary Wage Subsidy for Employers (“TWS”)

The TWS for **Employers** is a three-month measure to help prevent layoffs and support businesses.

The subsidy is equal to 10% of the remuneration paid from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per eligible employer.

Associated Canadian-controlled private corporations (“CCPC”) will not be required to share the maximum subsidy of \$25,000 per employer. However, an associated group with taxable capital of more than \$15 million will deem each member of the associated group ineligible for this subsidy.

The subsidy is calculated and deducted from payroll remittances owing to the Canada Revenue Agency (“CRA”). The current payroll remittance of federal, provincial, or territorial income tax owing to the CRA would be reduced by the amount of the subsidy. There is no reduction to the remittance of CPP and EI premiums, including both the employee and employer portion of each payment.

If the income taxes deducted are not enough to offset the value of the subsidy in a specific period, future payroll remittances can be reduced. This includes reducing remittances that may fall outside of the application period for the wage subsidy (after June 19, 2020).

Eligibility

TWS is limited to the following employers:

1. A Canadian Controlled Private Corporation that is eligible for the small business deduction subject to rules. Consult your tax advisor regarding eligibility and status of your professional corporation as a "CCPC.
2. An individual (other than a trust);
3. A partnership, all members of which are: eligible CCPCs, individuals, partnerships and registered charities;
4. A non-profit organization exempt from tax; and
5. A registered charity.

An eligible employer qualifies provided they:

- Employ one or more individuals in Canada;
- Have an existing business number and payroll program account with the CRA on March 18, 2020; and
- Pay salary, wages, bonuses, or other remuneration to an eligible employee.

Other

The subsidy is required to be reported as income in the year in which it is received. To the extent that any amount is received under the TWS, this will generally reduce the amount that can be claimed under the CEWS.

Frequently Asked Questions:

1. How does the TWS differ from the CEWS? Why would I apply for TWS if I am only subsidized at a rate of a 10% vs. 75% for the CEWS program?

The eligibility criteria between the two programs is different. We currently know that an employer needs to demonstrate a decrease in gross revenue by at least 15 percent for the month of March (and 30 percent for subsequent months) to qualify for CEWS.

In contrast, there is no gross revenue reduction test for TWS. The TWS program evaluates an eligible employers' small business deduction. Therefore, it is possible that an employer may be eligible for the TWS program if it is not eligible for the CEWS program. As well, employers that are eligible both programs will have the CEWS payment decreased by any TWS subsidy that was received.

2. When does this program begin?

The TWS program is retroactive to payroll paid beginning March 18, 2020.

3. Do I need to apply for the TWS?

No, you do not need to apply for the subsidy.

4. If I do not need to apply for the TWS, how do I access the program?

Once you have calculated your subsidy, you can reduce your current payroll remittance of federal, provincial, or territorial income tax that you send to the CRA by the amount of the subsidy. The subsidy amount does not apply to CPP and EI contributions.

5. Does the TWS program apply to an corporation paying the owner a salary? What about salaries to family members?

Provided the corporation is an eligible employer who qualifies, the program could apply to both a salary paid to a owner and salaries paid to family members.

6. My corporation has a payroll program account with the CRA, however I was not on payroll prior to March 18, 2020. Can I start paying myself a salary and participate in the TWS?

The program applies to eligible remuneration paid between March 18 and June 19, 2020. Please consult your Accountant regarding remuneration strategies to qualify for the program.

7. I have only received dividends from my corporation. Does the TWS program apply to an owner who did not have a payroll account open on or before March 18, 2020?

Under the TWS program, there is a requirement to have a payroll account open on or before March 18, 2020.

8. I personally remit payroll for my nanny to allow me to work. Do I qualify for the TWS?

Often, a business owner or his/her partner will have a personal payroll account to accommodate source deductions for a nanny. If you have a payroll number prior to March 18, 2020, it appears you would be able to access the TWS program.

Assuming you are an eligible employer a salary paid to a nanny may qualify.

9. Does the TWS program apply to a self-employed person paying salaries to family members?

Assuming the self-employed person is an eligible employer and a reasonable salary paid to family members may qualify. A self-employed person cannot pay themselves a salary from a proprietorship.

3. Canada Emergency Response Benefit (“CERB”)

The CERB is a support program for workers who have lost income due to reasons related to COVID-19. It provides a payment of \$2,000 for a 4-week period (equivalent to \$500 a week) for up to 16 weeks. The amount of the support payment is subject to change by government regulation. Applications can be filed until December 2, 2020.

Payments received under the CERB will be included in the recipient’s taxable income. We currently understand that there will be no tax withheld on the payment. As a result, the recipient may owe income tax when they file their personal tax return for 2020.

Eligibility

A person will be eligible if they are considered a “worker” and if they meet certain eligibility requirements for the program.

A “worker” is a person who is at least 15 years of age, who was a resident of Canada in 2019 and had total income of at least \$5,000 from employment or self-employment or non-eligible dividends in either 2019 or in the 12 months immediately preceding their application.

A worker will be eligible for the program if work he/she has ceased work for at least 14 consecutive days within the initial four-week application period, due to reasons related to COVID-19 and they do not receive income in respect of the consecutive days they ceased work. The reasons for ceasing work could include sickness, quarantine, closure of business, taking care of an ill family member or taking care of children due to closure of schools and daycares. No income can be earned in periods subsequent to the initial four-week period.

The government recently announced a few changes to the CERB program. Workers will be allowed to earn up to \$1,000 per month while collecting the CERB. The CERB program will be extended to seasonal workers who have exhausted their EI regular benefits and are unable to undertake their regular seasonal work as a result of the COVID-19 outbreak. The CERB program will also be extended to workers who have recently exhausted their EI regular benefits and are unable to find a job or return to work because of COVID-19. Details are pending.

Other

This program applies to wage earners, contract workers and self-employed individuals who would not otherwise be eligible for EI. Additionally, a worker could also receive payments under this program if they are still employed but are not receiving income due to a COVID-19 related disruption. Voluntary work stoppages (quitting) would deem a person ineligible for this program.

You will be able to apply for the new CERB through CRA’s My Account or using the dedicated phone lines (1-800-959-2019 or 1-800-959-2041).

Frequently Asked Questions:

Incorporated and Self-Employed

1. I am an incorporated business owner and had to close my business. Will I be eligible for the CERB?

The CERB is available if you had more than \$5,000 of income in 2019 or in the past 12 months prior to an application. In addition, you must have ceased to work for 14 consecutive days in the initial four-week period of your application because of COVID-19 and expect to have no income in the remaining periods. However, the government recently announced that workers will be allowed to earn up to \$1,000 per month while collecting the CERB. Details are pending.

2. I am not incorporated but had to close my business. Am I able to claim the CERB?

Yes. Provided, the other criteria are met, the CERB is available to self-employed individuals.

3. If I employ my family as a self-employed person or through my corporation, are they eligible for the CERB?

Yes, provided all other criteria are met. However, you may also be eligible for the CEWS.

4. I have laid off the staff in my business. Are they eligible for the CERB?

Yes. However, they should have ceased working and not received any income (employment, self-employment or EI) for 14 consecutive days in the initial four-week period in order to be eligible for the CERB. No income can be earned by them in periods subsequent to the initial four-week period.

The government recently announced that workers will be allowed to earn up to \$1,000 per month while collecting the CERB. Details are pending.

5. I have laid off my staff but now want to rehire them. Can I utilize the wage subsidy programs if the staff have collected the CERB?

The Department of finance recently announced that the government is considering implementing an approach to limit duplication. This could include a process to allow individuals rehired by their employer during overlapping eligibility periods to cancel and repay their CERB amount. Previously, the government had announced that employers would not be eligible for the CEWS program if it was still within the four-week period where employees were also eligible for the CERB program. Details are pending.

6. What happens if I am required to work on an emergency basis and I receive minimal income as a result. Would I qualify?

No. The eligibility requirements for CERB, as set out in the initial legislation that was released, would not be met on the basis that the business has not ceased to work.

The government recently announced that workers will be allowed to earn up to \$1,000 per month while collecting the CERB. Details are pending.

7. I am incorporated. Currently I am doing minimal emergency work, and the income is earned through my corporation. If I do not pay myself a salary, can I claim the CERB?

No. The eligibility requirements for CERB, as set out in the initial legislation that was released, would not be met on the basis that the person has not ceased to work. Failure to pay a salary does not in itself qualify a worker for the CERB.

The government recently announced that workers will be allowed to earn up to \$1,000 per month while collecting the CERB. Details are pending.

8. If I have billings that are coming in this month from work performed in previous months, will that disqualify me from the CERB?

Prior period billings from February, for example, if collected in March would not disqualify a person from the CERB program. The eligibility requirements for the CERB program must still be met.

9. I have only received dividend income from my corporation in 2019 and to date in 2020. Can I receive the CERB?

Yes, as long as the dividends are non-eligible dividends (generally, those paid out of corporate income taxed at the small business rate).

An individual could count this income towards the \$5,000 income requirement to be eligible for CERB.

10. What tax rate will I pay on the CERB income received?

The CERB will be taxable at your personal marginal tax rates when received.

11. When can I apply?

The application period began April 6, 2020.

12. How can I apply?

Applications will be completed through your CRA's MyAccount, Service Canada, or by phone at 1-800-959-2019 or 1-800-959-2041.

If calling make sure you have your SIN number, postal code and details of the period you are applying for.

13. How will I receive the income?

The income will be direct deposited in your account in most cases. If you do not have direct deposit it is assumed cheques will be mailed. You should consider signing up for direct deposit with CRA to expedite CERB refund payments.

New Income Tax Deadlines

1. What tax return filing deadlines have been extended?

The filing deadline for 2019 personal tax returns that are normally due April 30 has been extended to June 1, 2020. The filing deadline for self-employed individuals and their spouses remains at June 15, 2020.

Corporate income tax returns that would otherwise be due after March 18 and before June 1, 2020 are now due on June 1, 2020.

Trust tax returns with December 31, 2019 year-ends are now due on May 1, 2020. Trust Tax Returns with a filing due date in April or May are now due on June 1, 2020.

2. What are the tax payment deadline extensions?

Income tax payments for individuals for their 2019 personal tax returns are now due on September 1, 2020. The June 15, 2020 personal tax installment deadline date is also extended until September 1, 2020. These deadline extensions apply to self-employed individuals as well.

Corporate income tax payments, including balances due and installments, that are due under Part 1 of Income Tax Act (including regular corporate income tax) between March 18 and August 31, 2020 are now due September 1, 2020.

Trust income tax return payments, including balances due and installments, that are due after March 18 and before September 1, 2020 are now due by September 1, 2020.

HST amounts owing are deferred until June 30, 2020. Note however that the deadline for filing HST returns has not yet been extended.

There have been **no** extensions for payroll remittances to CRA.

Business Credit Availability Program (BCAP):

A) Canada Emergency Business Account

1. What is the new Canada Emergency Business Account?

The Canada Emergency Business Account provides interest-free loans of up to \$40,000 to small businesses and not for profit organizations. To qualify, both small businesses and not for profit organizations will need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019. Details on the program are forthcoming.

Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

The proceeds of the loan should be used to pay non-deferrable operating expenses including, for example, payroll, rent, utilities, insurance, property tax and regularly scheduled debt repayments.

Please consult your financial institution for a full listing of eligibility criteria for this program.

2. My corporation has payroll between the amounts noted above. Will I qualify as a small business?

Yes, it appears as though most corporations are eligible.

3. I am self-employed without a corporation. Can I qualify?

Yes, proprietors are eligible in certain cases for the loan. Please consult with your financial institution.

4. I do not have total payroll in 2019 above \$20,000. Can I qualify?

No. A requirement is that your 2019 payroll total was at least \$20,000.

5. How do I apply?

Small businesses and not for profits should contact their financial institution to apply for these loans.

B) Co-Lending Program (Business Development Canada)

The BDC is working with financial institutions to co-lend term loans to SMEs for their working capital requirements.

The working capital loans are for between \$100,000 and \$2 million with flexible terms. They will require general security agreements and personal guarantees.

Please consult your accountant for an introduction to a BDC representative.

CRA My Business Account

Sign up for CRA My Business and CRA My Accounts now to be ready to apply and receive the benefits described above (if applicable) as soon as the possible.

CRA My Business Account

This is where you can access information related to your corporate tax, payroll, GST/HST and other program accounts related to your business. If you do not know your business information number as issued by the CRA, please contact your Accountant.

Who should have this:

- Any business owner with a corporation
- A sole proprietor with a payroll and GST/HST account.

On CRA's website: "[CRA My Business Account](#)" and click register. You will require various personal and corporate information.

CRA My Account

This is where you can access information related to your personal tax filing and other personal CRA benefits. Sign-up is driven by your SIN.

Who should have this:

All tax filers

On CRA's website: "[CRA My Account for Individuals](#)" and click register. You will require various personal information and prior year personal tax information.

Canadian Emergency Commercial Rent Assistance Program.

On April 16, 2020 → The Prime Minister introduced the Canadian Emergency Commercial Rent Assistant Program to help small businesses with rent in April, May and June. More details follow...

Disclaimer:

This document is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. The information provided is based on information that is currently available as of the last update noted below and is subject to continual change, and at times on a retroactive basis. Before taking any particular course of action, contact your advisor to discuss these matters in the context of your particular situation.

Yours very truly,

MNP LLP