

McCUTCHEM & PEARCE

PROFESSIONAL CORPORATION

Chartered Professional Accountants

Memo

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Subject Summary of Covid-19 Government of Canada Support Measures

The following is a summary of the support measures the Government of Canada has recently to assist businesses and individuals in dealing with the Covid-19 pandemic. Details on the programs and links to government websites follow the summary:

Businesses

- 10% temporary Wage Subsidy by reducing payroll withholding on wages after March 18th
- 75% temporary Wage Subsidy if revenue loss exceeds 30%, by application
- Interest free loans up to \$40,000 with a potential \$10,000 forgivable portion through banks
- Business Credit Availability Program through BDC
- Extension of corporate tax filing deadlines due after March 18th to June 1st
- Deferral of corporate income taxes payable after March 18, 2020 to September 1, 2020
- Deferral of corporate income tax instalments payable after March 18th to September 1st
- Deferral of HST payable due after March 18, 2020 to June 30, 2020

Individuals

- Enhanced GST and Child Tax Benefits
- Extension of personal tax filing deadline to June 1st and payment deadline to September 1st
- Canadian Emergency Response Benefit - \$2,000 per month for qualifying individuals
- Most banks are offering mortgage deferrals (not administered through CRA)
- RRIF minimum withdrawals have been reduced by 25%

10% Temporary Wage Subsidy for businesses

A subsidy equal to 10% of the gross remuneration paid from March 18, 2020 to June 19, 2020, to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration. Employers benefiting from this measure will include corporations eligible for the small business deduction.

The CRA has published details of this program at the following link
<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>

A free template is available at <https://www.taxtemplates.ca/wage-subsidy>

75% Temporary Wage Subsidy for eligible businesses

There is an additional subsidy for businesses who have incurred a reduction of revenue of 30% over the same period last year. The subsidy will be equal to 75% of remuneration paid during the 12 weeks from March 15, 2020 to June 6, 2020. This subsidy requires an application process, made through the *MY ACCOUNT* feature on the CRA website. If the 10% subsidy has been previously claimed, it would be subtracted from the 75% subsidy.

The calculation of the subsidy is the **greater of**:

- 75% of the remuneration paid, up to a maximum of \$847 per week or
- The lesser of:
 - The remuneration paid, up to a maximum of \$847 per week or
 - 75% of the employee's "pre-crisis" weekly remuneration

The Department of Finance has published details on this benefit:
<https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html>

Deferral of corporate income taxes

The Canada Revenue Agency ("CRA") will allow all businesses to defer the payment of any income tax amounts or tax instalments that become owing on or after March 18, 2020 and before September 2020, until after August 31, 2020. No interest or penalties will accumulate on these amounts during this period.

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html>

The CRA will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks. For the vast majority of businesses, the Canada Revenue Agency will temporarily suspend audit interaction with taxpayers and representatives.

Ensuring businesses have access to credit

The **Business Credit Availability Program (BCAP)** will allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide more than \$10 billion of additional support, largely targeted to small and medium-sized businesses.

Contact BDC

<https://www.bdc.ca/en/pages/special-support.aspx?special-initiative=covid19>

Canada Emergency Business Account (CEBA), which was announced by the Government of Canada on March 27. These loans are administered through banks and other lending financial institutions.

It's a \$40,000 government-guaranteed loan to help eligible businesses pay for operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity.

Until December 31, 2020, the *Canada Emergency Business Account* **will be funded as a revolving line of credit for \$40,000.**

After December 31, 2020, any outstanding balance on the revolving \$40,000 line of credit will be converted into a non-revolving 5-year term loan maturing on December 31, 2025, at which time the balance must be paid in full.

No interest applies until January 1, 2023.

Commencing on January 1, 2023, interest accrues on the balance of the term loan at the rate of 5% per annum, payable monthly on the last day of each month.

If you pay 75% of the balance of the term loan (as at January 1, 2021), on or before December 31, 2022, the remaining balance of your term loan will be forgiven. For example, if your balance is \$40,000 on January 1, 2021 and you repay \$30,000 on or before December 31, 2022, the remaining \$10,000 will be forgiven.

If you do not repay 75% of the balance of the term loan (as at January 1, 2021) on or before December 31, 2022, the full loan balance and all accrued and unpaid interest will be due and payable on December 31, 2025.

EI benefits vs CERB Benefits

Please see the chart below to see whether you should qualify for ordinary Employment Insurance or the temporary Canada Emergency Care Benefits

Canada Emergency Care Benefits for Workers and Parents

Workers and parents without paid sick leave (or similar workplace accommodation) who are sick, quarantined or forced to stay home to care for children, the Government is introducing the Emergency Care Benefit providing up to \$500 per week weekly, for up to 16 weeks. This flat-payment Benefit will be administered through the (CRA) and provide income support to:

- Workers, including the self-employed, who are quarantined or sick with COVID-19 or who are caring for a family member who is sick with COVID-19 but do not qualify for EI.
- Parents with children who require care or supervision due to school or daycare closures, and are unable to earn employment income, whether they qualify for EI or not.

Application for the Benefit will start in April 6, 2020 through by accessing it on their CRA MyAccount secure portal; or by calling a toll free number with an automated application process. The number is 1-800-959-2019

Learn more about the qualifying criteria through the following links

<https://www.canada.ca/en/services/benefits/ei/cerb-application.htm>
<https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html#who>

Assistance for Individuals – Tax deadline and payment date changes

For individuals, the return filing due date is now June 1, 2020. The CRA encourages individuals who expect to receive benefits (GST credit or the Canada Child Benefit not to delay the filing of their return to ensure their future benefit year are properly determined.

The filing deadline for trusts having a taxation year ending on December 31, 2019 is May 1, 2020.

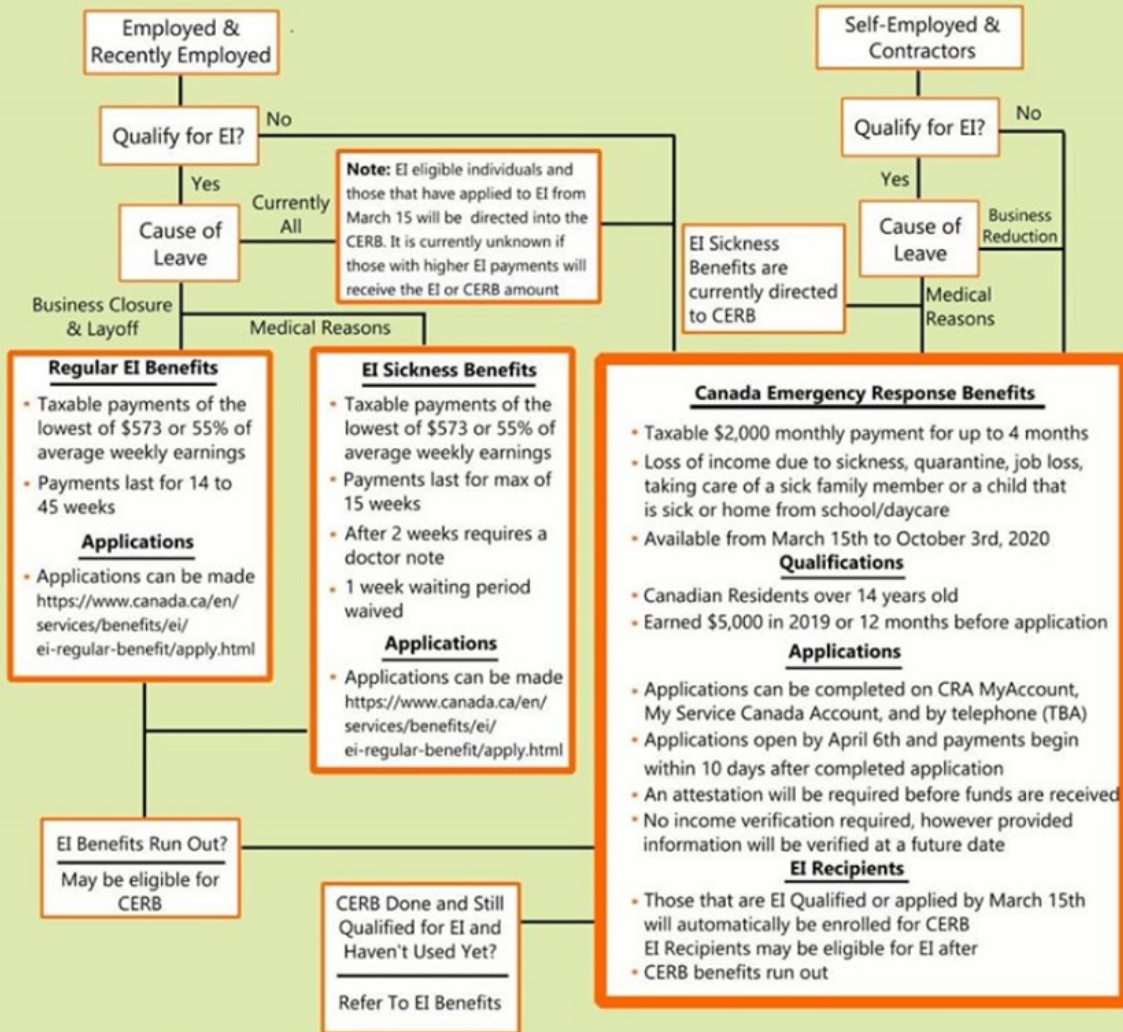
The Canada Revenue Agency will allow all taxpayers to defer the payment of any income tax amounts and instalments that become owing on or after March 18, 2020 and before September 2020, until after August 31, 2020. No interest or penalties will accumulate during this period.

Income Support for Individuals – GST Credit and Child Benefits

The Government is proposing to provide a one-time special payment by on April 9th through the GST credit. This will double the maximum annual GSTC payment amounts for the 2019-20 benefit year. The Government is proposing to increase the maximum annual Canada Child Benefit (CCB) payment amounts, only for the 2019-20 benefit year, by \$300 per child.

<https://www.canada.ca/en/department-finance/news/2020/03/canadas-covid-19-economic-response-plan-support-for-canadians-and-businesses.html>

Navigating The Canada Emergency Response Benefit & Employment Insurance



Note: This document is meant as a basic guide and does not replace professional guidance. Care has been taken in creating this guide, however there is not liable for any negative financial outcomes