



**COVID-19:
Making Sense of Federal and Provincial
Business Support Programs**

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Agenda

1. Tax Payments and Filing Deadlines
2. Ontario Specific Measures
3. Canada Emergency Wage Subsidy and Temporary Wage Subsidy
4. Canada Emergency Response Benefit
5. Employee Considerations and Other Programs
6. Tax Planning During an Economic Downturn

Opening Thoughts

- **The question:**
 - Revenues have declined or are at zero; I have to pay my rent and other fixed expenses. People make up my single largest cost. What do I do?
- **“How companies treat workers during pandemic could define their brand for decades.” – Mark Cuban March 27, 2020**
- **Good people are hard to find and hard to train. This needs to be top of mind while making all decisions.**
- **The shut-down should only be temporary, however it’s important to consider the short and long-term viability of the business**
 - Short-term: cash needs
 - Long-term: growth and profitability

Tax Payments and Filing Deadlines

Updated Tax Filing Deadlines

FILING DEADLINES

Due Dates				
Jurisdiction	Form	Original	Revised	Notes
Federal	T1	April 30, 2020	June 1, 2020	Self-employed returns still due June 15
Federal	T2	six months after y/e	June 1, 2020	Returns due between March 18, 2020 and May 31, 2020
Federal	T3	March 30, 2020	May 1, 2020	Applicable for calendar year trusts only
Federal	T3010		December 31, 2020	Returns due between March 18, 2020 and Dec. 31, 2020
Federal	T5013	March 31, 2020	May 1, 2020	No change to partnership returns due five months after year-end
Quebec	TP-1	April 30, 2020	June 1, 2020	Self-employed returns still due June 15
Quebec	TP-646	March 30, 2020	May 1, 2020	Applicable for calendar year trusts only, does not apply to SIFTS
Quebec	TP-600	March 31, 2020	May 1, 2020	Applicable for calendar year partnerships only

Current as at April 2, 2020

Updated Tax Payment Due Dates

BALANCE DUE

Due Dates				
Jurisdiction	Balance Due	Original	Revised	Notes
Federal	Part I tax	Amounts due after March 18, 2020	September 1, 2020	Includes instalments (business, individual, trusts)
Alberta	Alberta tax	Amounts due after March 18, 2020	August 31, 2020	Applicable to Alberta corporate income tax balances and instalment payments
Quebec	Quebec tax	Amounts due after March 17, 2020	September 1, 2020	Applicable to Quebec individual, trust and corporate tax balances and instalment payments

Current as at April 2, 2020

Other Tax Filing Considerations

- **Electronic Signatures – now accepted by CRA, Alberta and Revenue Quebec**
 - Federal T183 and T183 Corp (Authorization to file a personal or corporate tax return) can now be signed by taxpayer through an electronic signature – previously not permitted by CRA
 - Quebec – has also permitted the use of electronic signatures for personal and corporate tax returns
 - Alberta – Alberta Tax & Revenue Administration allows the Alberta Consent form to be signed electronically

Payroll and GST Considerations

- **Payroll Remittance Payments**
 - CRA has not permitted the extension of payments of payroll source deduction remittances
 - These payments are still due when the payroll account is required to make payment
- **GST Payments and Filing Requirements**
 - CRA indicated that businesses should continue to file their GST/HST returns by the due dates, but the CRA will not impose penalties on late filed returns provided the returns are filed by June 30, 2020
 - GST/HST remittances, including customs and duties have been deferred until June 30, 2020
 - File returns with refunds to assist with cash flow
 - Recommended to electronically file returns as paper filed returns will not be processed until CRA resumes operations

Ontario Specific Measures

As part of its Economic Statement issued on March 25, 2020; the Ontario government announced, among other things:

(i) A temporary doubling of Ontario's Employer Health Tax (EHT) exemption:

- Ontario's EHT is a payroll tax paid by employers based on total annual Ontario remuneration; the top rate is 1.95 percent. Private-sector employers (excluding registered charities) with a total remuneration amount of less than \$5 million are currently eligible for an EHT exemption on up to \$490,000 of their payroll.
- In order to provide immediate financial relief to employers during the COVID-19 outbreak, the government is retroactively raising the EHT exemption from \$490,000 to \$1 million for 2020. The exemption would return to its current level of \$490,000 on January 1, 2021.

Ontario Specific Measures

(ii) Interest and Penalty Relief

- Beginning April 1, 2020, penalties and interest will not apply to Ontario's businesses that miss any filing or remittance deadlines under select provincially administered taxes. This will continue for a period of five months, up until August 31, 2020, under the following tax programs:
 - Employer Health Tax;
 - Tobacco Tax;
 - Fuel Tax;
 - Gas Tax;
 - Beer, Wine and Spirits Taxes;
 - Mining Tax;
 - Insurance Premium Tax;
 - International Fuel Tax Agreement;
 - Retail Sales Tax on Insurance Contracts and Benefit Plans; and
 - Race Tracks Tax.

Ontario Specific Measures

(ii) Interest and Penalty Relief (cont'd)

- The interest and penalty relief period is available to all Ontario businesses that are required to file returns and make remittances under these tax programs. This initiative complements the relief from interest and penalties from not remitting Corporate Income Tax owing that was announced by the federal government on March 18, 2020.
- Businesses will not be required to provide any documentation supporting their reasons for late-filing or payments and they will not be required to advise the Ontario Ministry of Finance of their inability to meet their deadline(s).

(iii) Workplace Safety Insurance Board (WSIB) Premium Payment Deferral – Announced on March 26, 2020
please see: <https://www.wsib.ca/en/financialrelief> for more information.

Canada Emergency Wage Subsidy ("CEWS")

What is the Canada Emergency Wage Subsidy?

- **A 75 percent wage subsidy provided by the Government of Canada for qualifying businesses, for up to 3 months, retroactive to March 15, 2020.**
- **Applies at a rate of 75 percent on the first \$58,700 normally earned by employees – representing a benefit of \$847 per week.**
- **The program is in place for a 12-week period – March 15 to June 6, 2020**

Eligible Employer

- Individuals, taxable corporations, partnerships, non-profit organizations and registered charities. Public bodies are not eligible for this subsidy.
- Available to employers who see a reduction of gross revenues of at least 30 percent in March, April or May, when compared to the same month in 2019, would be able to access the subsidy.
- Employers are required to attest to the decline in revenue.

Calculating Gross Revenues

- **Revenue from its business carried on in Canada earned from arm's-length sources.**
- **Calculated using the employer's normal accounting method and would exclude revenues from extraordinary items and amounts on account of capital.**
- **NPOs & Charities – the Government will continue to work with the sector to ensure the definition of revenue is appropriate to their specific circumstances**

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 percent of the amount of remuneration paid, up to a maximum of \$847 per week; and
 - The amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 percent of the employee's pre-crisis weekly remuneration, whichever is less.
- **Further guidance with respect to how to define pre-crisis weekly remuneration for a given employee will be provided in the coming days.**
- **The Government anticipates that employers may be eligible for a subsidy of up to 100 percent of the first 75 percent of pre-crisis wages or salaries of existing employees.**
- **Employees that do not deal at arm's length with the employer**
 - the subsidy amount for such 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 pre-crisis weekly remuneration.

Eligible Periods

- Eligibility is determined by the change in an eligible employer’s monthly revenues, year-over-year, for the calendar month in which the period began.
- The amount of the wage subsidy received by the employer in a given month is not taken into account for measuring the year-over-year changes in monthly revenues.
- The table below outlines each claiming period and the period in which the employer has a decline in revenue of 30 percent or more.

	Claiming Period	Reference Period for Eligibility
Period 1	March 15 – April 11	March 2020 over March 2019
Period 2	April 12 – May 9	April 2020 over April 2019
Period 3	May 10 – June 6	May 2020 over May 2019

How to Apply

- **Eligible employers would be able to apply for the CEWS through the Canada Revenue Agency's *My Business Account* portal as well as a web-based application**
- **Employers are required to maintain records demonstrating their reduction in arm's-length revenues and remuneration paid to employees.**

Compliance

- Employers are required to repay amounts paid under the CEWS if they do not meet the eligibility requirements and pay their employees accordingly
- Anti-abuse rules will be proposed to ensure that the subsidy is not inappropriately obtained
- Penalties may include fines or even imprisonment

Government Subsidy - Taxable

- **The wage subsidy received by an employer would be considered government assistance and be included in the employer's taxable income.**
- **The assistance received under either wage subsidy would reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration**

10 Percent Wage Subsidy

- **Organizations/Employers that do not qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced wage subsidy of 10 percent**
- **Calculation of Subsidy**
 - Equal to 10 percent of the remuneration paid between March 18, 2020 and June 19, 2020
 - Maximum Subsidy amount is \$1,375 per employee to a maximum of \$25,000 for the employer
 - Each corporation in an associated group could be permitted these amounts provided that the taxable capital of the associated group is below \$15 million
 - There is no reduction to the remittance of CPP and EI premiums
 - CRA has confirmed that the subsidy is taxable to the corporation
- **Example**
 - 5 employees earning monthly salaries of \$4,100 for total monthly payroll of \$20,500
 - Subsidy is \$2,050 ($\$20,500 \times 10\%$) per month.
 - Over the designated three-month period, the total subsidy received would be \$6,150

Interaction with the various programs

- **How does the Canada Emergency Wage Subsidy interact with the 10 percent wage subsidy?**
 - For employers that are eligible for both the Canada Emergency Wage subsidy and the 10 percent wage subsidy for a period, any benefit from the 10 percent wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in that same period
- **How does the Canada Emergency Wage Subsidy interact with the Canada Emergency Response Benefit?**
 - An employer would not be eligible to claim the Canada Emergency Wage Subsidy for remuneration paid to an employee in a week that falls within a 4-week period for which the employee is eligible for the Canada Emergency Response Benefit.
 - Employers who are not eligible for the Canada Emergency Wage Subsidy would still be able to furlough employees who are eligible to receive up to \$2,000 per 4-week block period.

Canada Emergency Response Benefit ("CERB")

What is the CERB Program?

- A program that provides temporary income support to workers who have stopped working and are without employment or self-employment income for reasons related to COVID-19.
- The benefit is temporary in nature and is paid in blocks of four weeks in the amount of \$2,000, which is equivalent to \$500 per week.
- A maximum 16 weeks of benefits can be paid.
- The benefit is available from March 15, 2020 to October 3, 2020.
- The applicant must apply before December 2, 2020.

Applying for the CERB Program?

- Applications are proposed to open on April 6, 2020
- Applicants can apply through CRA *My Account*, Service Canada, or through the 1-800 Number to be released shortly
- Individuals who do not currently have a CRA *My Account* number should consider registering online at:
<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>

Who is Eligible for the CERB?

- **A Canadian resident with a valid Social Insurance Number;**
- **At least 15 years of age at the time of application;**
- **In 2019, or in the 12 month period ending at the time of application, has earned at least \$5,000 from employment, self-employment, maternity or parental EI benefits, benefits under a provincial maternity or parental plan;**
- **Only available to individuals who stopped work and are not earning employment or self-employment income as a result of reasons related to COVID-19;**

Eligibility Requirements

- The employee or self-employed individual ceases working due to COVID-19 for at least 14 consecutive days within a 4-week period in which they apply for payment;
- The individual does not receive income from employment or self-employment, EI benefits or allowances under a provincial maternity or parental plan or any other income as prescribed by regulation.

FAQ's

- **Is the CERB amount taxable?**
 - The amount is taxable to the individual; however, the CRA indicated that tax will not be deducted at source.
- **Can I have other income while receiving the CERB?**
 - The individual must have stopped working as a result of COVID-19 and be without employment income for at least 14 consecutive days within the initial four-week period. For subsequent periods, you must expect to have no employment income.
- **When will payment be received?**
 - Benefits will start within 10 days of the individual submitting the application. Payments will be retroactive to the individual's eligibility date. Payments should be faster for individuals who have signed up for direct deposit.
- **I am currently on EI, do I qualify for this program?**
 - If the individual was eligible for EI benefits that started before March 15, 2020 and these benefits end before October 3, 2020, then the individual may apply for the CERB if they meet the eligibility requirements.

Source: <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

Employee Considerations

Options to Keep your Employees On

- **Wage subsidy programs**
 - (Canada Emergency Wage Subsidy and Temporary Wage Subsidy)
- **Work share agreements**
 - Allows eligible employees to receive EI on a reduced
- **Supplementary Unemployment Benefit Plan**
 - Allows you to top up employee without clawing back EI

EI Programs and Resources

- **One-week waiting period for EI sickness benefits will be waived for new claimants quarantined**
- **No medical certificate required**
- **Service Canada has established a new dedicated toll-free phone number to support enquiries related to COVID-19 (1-833-381-2725)**
- **Service Canada is integrating EI and the new Canada Emergency Response Benefit (CERB) – individuals who have applied on or after March 15, 2020 will be automatically enrolled for CERB**
- **Service Canada is completely overwhelmed**

Tax Planning During an Economic Downturn

Income Tax Planning During an Economic Downturn

- **Review Owner Remuneration Strategy (salary vs dividends)**
- **Triggering Capital Losses on Investments (selling investments)**
- **Consider selling shares and acquiring companies in the same sector**
- **Payment of Tax-Free Capital Dividends – Capital Dividend Account**
- **Transfer of Property from Corporation to the Individual Shareholder**
- **Estate Freeze**
- **Thaw/Refreeze Transaction**

Questions?

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Appendix A – *Business Credit Availability Program*

Source: <https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html>

- On March 13, 2020, the federal government announced the establishment of a Business Credit Availability Program (BCAP). The stated purpose of the BCAP is: to help Canadian businesses obtain financing during the current period of significant uncertainty.” According to the federal government, the BCAP will support access to financing for Canadian businesses in all sectors and regions.
- Under the BCAP, Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) will provide \$65 billion in direct lending and other types of financial support at market rates to businesses with viable business models whose access to financing would otherwise be restricted.
- Businesses wishing to participate under the BCAP are directed to contact the financial institutions with whom they have a pre-existing relationship. If the needs of the client exceed the level of support the financial institution is able to provide, the financial institution will work together with EDC or BDC to access additional resources the federal government is making available under the BCAP.

Appendix B – *Canada Emergency Business Account*

On March 27, 2020, the federal government announced the Canada Emergency Business Account (CEBA). The CEBA is part of the Business Credit Availability Program (see Appendix A). Based on information published to April 2, 2020, the CEBA is a \$40,000 line of credit for qualifying businesses that:

- carries 0.00% interest rate until December 31, 2022;
- requires no minimum monthly principal payments until December 31, 2022;
- allows principal repayments to be made at any time; and
- up to \$10,000 of that amount will be eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022.

Generally, businesses or not-for-profits will be eligible to apply for this loan if they have:

- an operating company registered in Canada; and
- an annual payroll of between \$50,000 and \$1 million, based on their 2019 T4SUM Summary of Remuneration Paid

We understand that enrolment in the CEBA will only be available online.

Appendix B – *Canada Emergency Business Account*

Important Links (as of April 2, 2020) for More Information:

Royal Bank: https://www.rbc.com/covid-19/business.html?_ga=2.76944277.109290763.1585919188-20671662.1585919188

CIBC: <https://www.cibc.com/en/business/covid-19/emergency-business-account-faq.html>

Scotiabank: <https://www.scotiabank.com/ca/en/personal/scotia-support/latest-updates/coronavirus-covid-19/business-banking.html>

TD: <https://www.td.com/ca/en/personal-banking/covid-19/faq/>

BMO: <https://www.bmo.com/main/business/covid-19-business-support/#faqs>

National Bank: <https://www.nbc.ca/business/important-notice.html#support>