



April 5, 2020

COVID-19: Canada’s Plan to Assist Individuals and Businesses UPDATE

CANADA EMERGENCY RESPONSE BENEFIT.....1

SUPPORTS TO BUSINESSES2

CANADA EMERGENCY WAGE SUBSIDY.....2

CLOSING.....4

CANADA’S COVID-19 ECONOMIC RESPONSE PLAN – UPDATE

Details on a number of measures previously announced have been disclosed. The key items discussed in this document include:

- Canada Emergency Response Benefit (CERB);
- Temporary wage subsidy for employers

This document details the updates and changes to the Economic Resource Plan (ERP) announced since March 26th, 2020.

CANADA EMERGENCY RESPONSE BENEFIT

While continuing to focus on those not eligible for traditional employment insurance (EI) the legislation now provides coverage to a broader group of people than originally announced.

Eligibility

The CERB is **now available for**: workers who still have their employment but are **not being paid** because there is currently **not sufficient work** and their **employer has asked them not to come to work**; and wage earners and self-employed individuals, including contract workers, who are not eligible for conventional EI benefits.

The legislation requires the applicant to be an “**eligible worker**”, which means that they:

- Are residing in Canada, and are at least 15 years old;
- Have stopped working because of COVID-19 and have not voluntarily quit their job or are eligible for EI regular or sickness benefits;
- Had income of at least \$5,000 in 2019 or in the 12 months prior to the date of their application; and
- Are or expect to be without employment or self-employment income for at least 14 consecutive days in the initial four-week period. For subsequent benefit periods, they expect to have no employment or self-employment income.

Canada’s COVID-19 Economic Response Plan - UPDATE

Benefits

These income support payments can be made for a maximum of 16 weeks. Amounts are determined by the Minister - **up to \$2,000** would be provided per month. These payments are **not subject** to law relating to **bankruptcy** or **insolvency** and are not **garnishable**.

Application process

Starting April 6, 2020, there are two ways to apply: online with your **CRA MyAccount** or over the phone with an automated phone service. To help manage the process, individuals are asked to follow the guidelines for application:

If you were born in:	Apply for CERB on:
January, February, March	Monday, April 6 th
April, May, June	Tuesday, April 7 th
July, August, September	Wednesday, April 8 th
October, November, December	Thursday, April 9 th
Any month	Fridays, Saturdays, Sundays

Details regarding the application process can be found at <https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html>.

If you would like your benefit direct deposited to your bank account, it is important that you update this information immediately.

PLEASE NOTE THAT THE CRA MY ACCOUNT SYSTEM WILL BE UNAVAILABLE FROM 11PM ON SUNDAY, APRIL 5TH UNTIL 6AM ON MONDAY, APRIL 6TH 2020 AS CRA IS PREPARING FOR THE LAUNCH OF THE CERB.

A worker may apply for an income support payment for any four-week period falling within the period beginning on **March 15, 2020 and ending on October 3, 2020** (payments are made every four weeks). Canadians would begin to receive their payments **within 3-10 days of application**.

Other notes

The legislation does not exclude shareholders or their family members from applying as long as they meet the income requirements.

SUPPORTS TO BUSINESSES

The government has taken action to support businesses with targeted initiatives such as:

- deferral of GST/HST and customs duty payments until June 2020

- **Canada Emergency Business Account** – interest-free loans provided to small businesses through their financial institutions and guaranteed by the Government of Canada
- **Small and Medium-sized Enterprise Loan and Guarantee program** - will enable up to \$40 billion in lending, supported through Export Development Canada and Business Development Bank, for guaranteed loans when small businesses go to their financial institutions to help weather the impacts of COVID-19. This is intended for small and medium-sized companies that require greater help to meet their operational cash flow requirements.
- Extend the maximum duration of the **Work-Sharing program**, from 38 weeks to 76 weeks, for workers who agree to reduce their normal working hours because of developments beyond the control of their employers.
- Increase credit available for farmers and the agri-food sector through Farm Credit Canada.
- **Defer the payment of income taxes.** The government is allowing all taxpayers to defer, until August 31, 2020, the payment of income tax amounts that become owing on or after March 18 and before September 2020. This relief would apply to new balances due, as well as instalments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period.

CANADA EMERGENCY WAGE SUBSIDY

The federal government has provided businesses with two different wage subsidy programs to help them maintain their staff's employment. These two programs are exclusive to each other, meaning that the business can only utilize one program or the other.

75 PERCENT WAGE SUBSIDY

This measure provides eligible employers with a temporary wage subsidy for a period of **three months**, retroactive to March 15, 2020. New legislation will need to be passed before this initiative can be enacted.

Eligibility

In order to be eligible, the employer must meet the following criteria:

- employer must suffer a **drop in gross revenues of at least 30 percent** in March, April or May 2020 as compared to the same months in 2019.
- employers of all sizes and from all sectors qualify, with the exception of public sector entities

Benefits

The subsidy would apply at a rate of **75 per cent of the first \$58,700** normally earned by employees – representing a benefit of up to \$847 per week. The program would be in place for a 12-week period, from **March 15 to June 6, 2020**.

Canada's COVID-19 Economic Response Plan - UPDATE

The entitlement will be based solely on wages actually paid to employees during that time period.

Application process

Details are yet to be released but the Minister of Finance has indicated that a Canada Revenue Agency portal will be provided to allow businesses to apply. Employers may be required to reapply each month based on the changes to their revenue in each year.

Other notes

Employers are expected to attest that they have made best efforts to top up salaries to 100% of the maximum wage covered. Employers are being encouraged to rehire their staff.

The government is clear that they will not tolerate any “gaming” of this subsidy – and are announcing stiff and severe penalties for companies that do not follow the rules.

“Gross revenue” should be calculated using the same methodology that the business has used in the past.

There has been no information released on “how” businesses will receive funds or how businesses that did not exist in the previous year determine if their revenues have decreased 30 percent.

10 PERCENT WAGE SUBSIDY

This measure provides eligible employers with a temporary wage subsidy for a period of **three months**. The subsidy was announced to be **10% of remuneration paid** during that period, up to certain **per employee and per employer maximums**. Businesses benefit immediately from this support by **reducing their remittances of income tax** withheld from their employees’ remuneration. Remittances for **CPP and EI cannot be offset** by the subsidy.

Eligibility

In order to be **eligible**, the **employer** must meet three criteria:

- **employ** one or more **individuals in Canada** (“eligible employees”);
- was **registered**, with a business number and a **payroll remittance account**, on March 18, 2020; and
- be any of the following:
 - **most Canadian-controlled private corporations** (CCPCs), based on eligibility for the small business deduction (see below);
 - an **individual** (other than a trust);
 - a **partnership**, all members of which are entities described in (i), (ii), (iii) or (v) (it is not clear why (iv) is excluded);
 - a **non-profit organization** (exempt from

- income tax pursuant to Subsection 149(1)(l); or
- a **registered charity**.

Eligibility for a **CCPC requires** that the CCPC had a **business limit**, for purposes of the small business deduction, **greater than nil** for its most recent tax year ended prior to March 18, 2020 (or, if it has no taxation year ended before that date, would have a business limit greater than nil if its taxation year ended on March 17, 2020).

For this purpose, the **reduction** to the business limit caused by **passive income** (“Adjusted Aggregate Investment Income”) is **not considered**. However, a CCPC which had **no business limit for other reasons** (for example, its taxable capital, in combination with other associated corporations exceeded \$15 million; it was a member of an associated group of corporations and was not assigned any portion of the business limit; or it assigned its entire business limit to one or more other CCPCs under the specific corporate income rules) **would not qualify** for the subsidy.

Benefits

A portion of **remuneration** (e.g. wages, salaries) **paid** to employees from **March 18, 2020 to June 19, 2020**, inclusive, will be recoverable by the employer. The legislation indicates that several amounts determining the available subsidy will be prescribed by regulation, and those regulations are not in the draft legislation. The **amounts in italics** below are amounts that were announced in the ERP, and are expected to be **formally set by regulations** yet to be released.

The subsidy will be equal to the **least of three amounts**, as follows:

- a fixed **maximum for each employer of \$25,000**. CRA has indicated that this amount is per employer, and is not required to be shared between related or associated employers;
- a fixed percentage, being **10%, of remuneration paid** to eligible employees during the period from March 18, 2020 to June 19, 2020; or
- the **number of eligible employees** employed during the period from March 18, 2020 to June 19, 2020, **multiplied by a fixed amount, \$1,375**.

Therefore, to get the maximum benefit of \$25,000, the employer must have more than 18 employees with total wages no less than \$250,000 during the period.

Application process

No formal application process has been released. Any subsidy to which the employer is entitled is deemed to have been remitted as a payroll remittance for income taxes withheld from the employees’ remuneration. In other words, **source deduction remittances for income tax**, but **not for CPP or EI**, can be reduced for the available subsidy, providing an

Canada’s COVID-19 Economic Response Plan - UPDATE

immediate cash flow benefit to the employer.

Presumably, there will be an eventual requirement to account for the subsidy claimed, possibly when T4 slips are prepared and filed in early 2021. However, no additional filings have been implemented to date.

Other notes

The legislation does not provide any exclusion for **owners of the employer** or **persons related to the employer**, so their remuneration **should be eligible**. Note, however, that a **proprietor or partner** is not an employee of their unincorporated business, so **no subsidy** would be available for their work.

CLOSING

Over the next days and weeks, the specifics on these programs will continue to evolve. Details for these initiatives, and other issues related to COVID-19, can be found on one of these five webpages:

General: <https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/canadas-reponse.html>

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

CRA-CERB: <https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html>

Travel: <https://travel.gc.ca/assistance/emergency-info/financial-assistance/covid-19-financial-help>

Employment and Social Development Canada: <https://www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html>

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

No individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents or for any consequences arising from its use.

Canada's COVID-19 Economic Response Plan - UPDATE