

UPDATED MAY 19, 2020

In an effort to assist our Client's navigation of the various Government Initiatives introduced in recent weeks, we provide the following summary. It is **by no means a comprehensive summary** of all the initiatives and programs available. We have summarized the ones impacting the majority of our Clients.

Canada Emergency Wage Subsidy (75%)

On April 11, 2020, the Canada Emergency Wage Subsidy received Royal Assent.

Eligibility

- Corporations, individuals, not-for-profits, registered charities and partnerships. Municipalities, Crown corporations and public universities are excluded.

Requirements

- Employers must be able to demonstrate a drop in revenues in March, April, May, June, July or August, 2020 from arm's length sources. The drop in revenue for March, 2020 must be at least 15% followed by a drop of at least 30% in April, May, June, July and August, 2020.

Calculation of Revenue Drop

- There will be the option for employers to calculate the drop in revenues in one of three ways:
 - An average of their revenue earned in January and February, 2020 compared to the qualifying period.
 - Compared to the revenue for the same period in 2019.
 - You may calculate the first two options on a cash or accrual basis.
- Whichever method is selected, employers will be required to use the same method throughout the program.
- Once an employer is eligible for a specific month, they will also qualify for the next month of the program.
- For example, if an employer claims the subsidy for the period March 15 to April 11, 2020 they may compare revenues for March, 2020 over March, 2019 on a cash or accrual basis, or the average of revenues for January and February, 2020. If they qualify for March they will automatically qualify for April and so on.
- The revenue test may be calculated on a consolidated or on an individual basis.
- With respect to not-for-profit organizations and registered charities, revenues from non-arm's length persons will be excluded. They will be allowed to choose whether or not to include revenue from government sources in their calculation.

Non-Arm's Length Transactions

- Detailed calculations of revenue changes are required where an employer receives revenue from non-arm's length entities.

Subsidy Entitlements

- 75% of the first \$58,700 of remuneration to employees. Accordingly, the maximum benefit is \$847 per week per employee.
- The 75% subsidy cannot be greater than the employee's compensation prior to the crisis.
- Program is from March 15, to August 29, 2020. 24 weeks.
- Special rules will apply to employees who do not deal at arm's length with their employer. Eligibility for non-arm's length employees will be based on the weekly remuneration prior to the crisis.

- There will be provisions in the program to ensure there is not a duplication of the Wage Subsidy and the Canada Emergency Response Benefit.
- There is no maximum per employer.

Payments

- The Government has not yet released application details or process. Employers will be required to attest that they meet the eligibility requirements.
- Employers will apply through CRA's My Business Account and/or a web-based application.
- Unlike the 10% Wage Subsidy, the payments will be direct to the employer.
- On April 20, 2020 the Government announced they expect the Application Portal to be available Monday April 27, 2020.

Attached is the link to the application:

[Government of Canada launches Canada Emergency Wage Subsidy Calculator for Employers](#)

Federal Wage Subsidy Relief (10%)

- Employers who are not eligible for the Canada Emergency Wage Subsidy may still access the Federal Wage Subsidy (10%) noted below.
- The two subsidies may not be combined.
- Any subsidy received under the 10% Federal Wage Subsidy will reduce the amount eligible for this subsidy.

Refund of Payroll Contributions

- Employers may be eligible for a 100% refund of the employer's portion of Employment insurance and Canada Pension Plan (and Quebec equivalent).
- ONLY contributions to employees on leave with pay are eligible.
- An employee is considered on leave with pay if they receive remuneration in a week and do not work. The refund is not available for employees who may work for part of a week.

Tax Treatment of Subsidy

- The subsidy is taxable and should be included in income.

Audit

- The Government has stated all applications will be subject to strict audit requirements, anti-avoidance rules and significant penalties up to 200% of the subsidy claimed.

Attached is the link to the Government of Canada guidelines:

<https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>

Federal Wage Subsidy Relief (10%)

The Federal Wage Subsidy will allow eligible employers to reduce their payroll remittances by 10% of employee remuneration up to a maximum of \$1,375 per employee and \$25,000 per employer.

Eligibility – Any One of the Following who Employ One or More Employees

- A Canadian Controlled Private Corporation (“CCPC”) that qualified for the small-business deduction for its last taxation year prior to March 18, 2020.
- An individual.
- A partnership provided all partners are individuals and/or CCPC's.
- Registered charity.
- Not for profit organization.

Amount of Subsidy

- 10% of eligible employee remuneration up to a maximum of \$1,375 per employee and \$25,000 per employer.
- Associated CCPC's will not be required to share the maximum \$25,000 subsidy per employer.

Eligible Remuneration

- Eligible remuneration includes salary, wages or other remuneration paid to employees.

Example of Calculation of Subsidy and Reduction in Withholdings Remitted

- On an employee by employee basis, not overall remuneration for the pay period.
- An employee whose remuneration for the period is \$1,000 and tax deduction is \$300.
- \$100 (10% of remuneration) may be deducted from the \$300 tax deduction taken. Accordingly remit \$200.
- Continue deducting the 10% during the eligibility period until total deduction amounts to \$1,375 per employee or \$25,000 in total.
- If the available reduction is not applied during the payroll period, employers may request the subsidy be paid to them at the end of the year or transferred to their 2021 payroll account as an opening credit.
- The reduction applies to income tax withheld only. It does not apply to other source deductions such as Canada Pension Plan and Employment Insurance premiums.

Eligible Period

- All remuneration for the period March 18, 2020 to June 19, 2020 inclusive.

Record Keeping

- The following is a link from Services Canada providing additional guidance:

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>

- The difficulty in claiming may be compounded by those using payroll services,

Tax Treatment of Subsidy

- The subsidy is taxable and should be included in income.

Corporate Taxes / Amounts Due / Instalments

- Corporate tax returns due to be filed after March 18, 2020 may be deferred until June 1, 2020.
- Corporate taxes due after March 18 may be deferred until August 31, 2020 without penalty or interest.
- For those corporations required to make monthly instalments, payments are deferred until August 1, 2020. CRA has yet to announce how they intend to catch up deferred payments.
- January and February, 2020 instalments have not been deferred.
- The deferral does not apply to Payroll remittances.
- GST/HST remittances may be deferred until June 30, 2020 as follows:
 - Monthly filers may defer their February, March and April, 2020 payments.
 - Quarterly filers may defer their January 1 to March 31, 2020 payments.
 - Annual filers may defer amounts collected for their previous fiscal year as well as instalments for the current year.

Personal Taxes / Amounts Due / Instalments

- The filing deadline for personal taxes has been extended from April 30 to June 1, 2020.
- Those individuals who are entitled to the Canada Child Benefit for the first time are encouraged to file their returns as soon as possible in order to receive the Benefit and the additional \$300 per child increase on a timely basis.
- Any amounts owing to CRA will not be due until August 31, 2020. No interest or penalties will accrue on outstanding balances till then.
- For those who are required to make quarterly instalments, the June 15, 2020 instalment is not required to be paid. CRA has yet to announce how they intend to catch up deferred payments.
- March 15, 2020 instalment has not been deferred.

Support for Individuals and Families

The following summarizes the various Federal initiatives introduced on March, 25/27, 2020:

- Significantly enhanced Employment Insurance benefits including reduced waiting times.
- One time Goods and Services Tax Credit payment for low and modest income families in May, 2020. Average additional benefit will be approximately \$400 for an individual and \$600 for a family.
- One time Canada Child Benefit increase of \$300 per child to be received in May, 2020.
- Mortgage support from Canadian banks.
- Canada Emergency Response Benefit (“CERB”) of \$2,000 a month for up to 4 months in the period March 15, 2020 to October 3, 2020, for those unable to work as a result of COVID-19 and unable to qualify for Employment Insurance.
- The Government announced details allowing individuals who are making up to \$1,000 a month to qualify for the CERB. In addition, those individuals whose Employment Insurance benefits have recently run out will also qualify for the \$2,000 per month benefit.
- On April 22, 2020 the Government introduced the Canada Emergency Student Benefit (CESB) for students who are not working and were not eligible for the CERB. The CESB benefit is \$1,250 per month for the months of May through August, 2020.

The following Government of Canada link provides guidance on Support for Individuals including Employment Insurance initiatives:

https://www.canada.ca/en/department-finance/economic-response-plan/covid19-individuals.html#new_canada_emergency_response_benefit

Also, the attached link compiled by Jennifer Robson, Associate Professor of Political Management, Carleton University, is a useful guide to EI and CERB benefits:

https://drive.google.com/file/d/11OJn7XS6ETIkBLRodYk681M_2dxkkQsc/view

Canada Emergency Business Account

Upon successful application, Businesses and Non-Profit organizations may be eligible for a \$40,000 Canada Emergency Business Account loan.

- Loans are 100% guaranteed by the Government of Canada. No security or personal guarantees are required.
- Loans applied for and administered by the Business’s current bank.
- Loans are interest free until December 31st, 2022
- \$10,000 (25%) of the \$40,000 loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022.

- If the loan cannot be repaid by December 31, 2022, it can be converted into a 3-year term loan charging an interest rate of 5%.
- Businesses or not-for-profits, will be eligible to apply for this loan if they have an annual payroll of between \$20,000 and \$1,500,000. Applicants will be required to provide their CRA payroll employer number, T4SUM Summary of Remuneration Paid for 2019.

Canada Emergency Commercial Rent Assistance (“CECRA”)

- The program will provide forgivable commercial property owners up to 50% of monthly rent payments for rents for eligible small business who are experiencing financial hardship during April, May, and June.
- There is no requirement for the commercial property to be mortgaged as initially reported by the Government.
- Commercial landlords must reduce rents by at least 75% per month.
- Eligible small business must be paying rent of less than \$50,000 per month and have experienced at least 70% drop in revenues.
- For the purposes of calculating revenue losses, the eligible tenant can either compare their revenues in April, May and June, 2020 to the revenues earned in the same months in 2019 or to the average of their revenues earned in January and February, 2020.
- Tenants needing assistance must rely on the agreement of their landlords to reduce rents by at least 75%.
- Tenants with more than \$20 million in sales calculated on a consolidated basis will not qualify.
- Details on the program were released May 14, 2020. Further details and the application process to be released by the end of May, 2020.
- Deadline for filing for the assistance is August 31, 2020.

Workplace Safety and Insurance Board (“WSIB”) Payments

- Employers who owe WSIB may defer reporting and payment until August 31, 2020.

Employee Health Tax (“EHT”) Exemption

- Currently the EHT exemption is \$490,000. The exemption for 2020, retroactive to January 1, has been increased to \$1,000,000 for employers with annual Ontario payrolls of less than \$5,000,000.
- The exemption continues to be shared amongst associated groups.

Ontario tax Credits for Capital Expenditures

- A 10% refundable corporate income tax credit for CCPC’s will be available for certain capital expenditures in specific regions of the province.
- Expenditures must be over \$50,000 and up to \$500,000.
- Expenditures must be for class 1 and 6 assets. Construction, renovating or acquiring commercial or industrial buildings.
- Limited to Northern Ontario, Southwestern Ontario and Eastern Ontario (excluding the Ottawa region).
- The Greater Toronto Area and Simcoe County are not included in the eligible area.

Ontario Filing / Payment Deadlines

- Filing and payment deadlines have been deferred for the period April 1, 2020 to August 31, 2020 for the following Ontario tax programs:
 - Employee health tax.
 - Fuel tax.
 - Gas tax.

- Beer, wine and spirit taxes.
 - Mining tax.
 - Insurance premium tax.
 - International fuel tax
 - Retail sales tax on insurance contracts and benefit plans.
 - Race track tax.
- Although late filing penalties will not be accessed, we encourage clients to file on time.

Emergency Community Support Fund

- On April 20, 2020 the Government announced the Emergency Community Support Fund to assist charities and not-for-profits.
- No details as to the eligibility and application process were announced.

Other Initiatives

- Six month moratorium on Canada Student Loan repayments and interest.
- Reduced minimum Registered Retirement Income Fund (RRIF) withdrawals.
- New \$305 million Indigenous Community Support Fund.
- New \$157.5 million Reaching Home Initiative to assist the homeless.
- \$50 million to assist women's shelters and sexual assault centres.
- Ontario is doubling the monthly Guaranteed Annual Income Supplement payments for the next six months.
- Ontario property tax reassessments for 2020 have been deferred to 2021.
- Ontario electricity bill relief.

As our Governments' make changes, or clarify initiatives, we will update our communication.