

Covid-19 Frequently Asked Questions – Businesses

(*Information as of April 13, 2020, subject to change)

What loans/credit are available to my business during this time?

1. Business Credit Availability Program (BCAP)

How it works

- Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) will provide \$65 billion in direct lending at market rates to businesses with viable business models, whose access to financing would otherwise be restricted
- Loan guarantees
- Co-lending program

How and when to apply

- Programs will roll out in the three weeks after March 27, 2020
- **Businesses should contact their current financial institution first**, then either EDC or BDC
- EDC Contact
 - Email: BCAP@EDC.ca
 - Phone: 1-800-229-0575
- BDC Contact
 - Email: info@BDC.ca
 - Phone: 1-877-232-2269

2. Canada Emergency Business Account

How it works

- Interest free loans of up to \$40,000 to small business and NPOs to help cover operating costs during a period where revenues have been temporarily reduced

Eligibility

- Businesses will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019

How and when to apply

- Program will roll out in the three weeks after March 27, 2020
- Businesses should contact their current financial institution

2. Has there been changes to the CRA's Work-Sharing (WS) program because of Covid-19?

Yes. The WS is a program that helps employers avoid layoffs by providing EI benefits to eligible employees who agree to reduce their normal working hours and share their available work while the business recovers from its temporary decrease in activity.

Effective March 15, 2020 to March 14, 2021, the maximum possible duration of an agreement was extended from 38 weeks to 76 weeks. Mandatory cooling-off period has been waived. Other various special measures have been put in place.

For more information on the Work-Sharing program, employers can call 1-800-367-5693.

I don't want to lay off my employees but can't afford to pay them their regular wage. What benefits are available to me?

1. Canada Emergency Wage Subsidy (CEWS)

Eligibility

- Individuals, corporations, partnerships, NPOs, charities
- Business has experienced a drop of at least 15% in revenue in March 2020 and 30% for April and May from business carried on in Canada earned from arms-length sources (excluding revenues from extraordinary item and amounts on account of capital)
- Must have a payroll number with the CRA on March 15, 2020
- Eligible employees – individuals employed in Canada except for those who have not been remunerated for 14 or more consecutive days within the qualifying period

How it works

- 75% of remuneration paid, to a maximum of \$847/week/employee
- 100% refund for employer-paid contributions to EI, CPP for employees on leave with pay
- Wages paid between March 15, 2020 and June 6, 2020 (12 weeks total)
- No overall limit on the subsidy amount
- Eligible for employees previously laid off and brought back to work (75% of pre-crisis weekly remuneration to a max of \$847), and new employees (75% of new weekly remuneration)
- Eligible for owner-managers as well, so long as employed prior to March 15, 2020
- Employers must make their best effort to top-up salaries to bring the total remuneration to pre-crisis level (i.e. top-up remaining 25%)
- Cannot claim the subsidy if your employee is receiving CERB
- Records must be kept to demonstrate reduction in revenue and remuneration paid to employees
- If not compliant, repayments to the CRA plus penalties will be required. Anti-abuse rules are being proposed
- *See examples on page below
- The table below outlines each claim period and the period in which it has a decline in revenue of 15-30% or more:

Claim Period	Period Date	Required Reduction in Revenue	Eligibility Reference
1	March 15 – April 11	15%	March 2020 over March 2019 or Avg Jan and Feb 2020
2	April 12 – May 9	30%	April 2020 over April 2019 or Avg Jan and Feb 2020
3	May 10 – June 6	30%	May 2020 over May 2019 or Avg Jan and Feb 2020

When and how to apply

- Application process through the CRA's "My Business Account" portal (*note: see RBW website for instructions on how to setup account)
- More details about the application process will be made available shortly

2. Temporary Wage Subsidy

Eligibility

- Individuals, corporations, partnerships, NPOs, charities
- Pay salary, wages, bonuses or other remuneration to an eligible employee
- Do not qualify for the Canada Emergency Wage Subsidy

How it works

- 10% of the remuneration you pay from March 18, 2020 to June 19, 2020 (14 weeks) up to \$1,375/employee and to a maximum of \$25,000
- Via reduced federal income tax payroll remittances to the CRA
- CPP and EI must continue to be paid. The subsidy is a reduction of tax only
- Associated companies are NOT required to share the subsidy
- You will need to keep information to support your subsidy calculation (total remuneration paid, tax deducted, number of eligible employees)
- The subsidy is considered taxable income
- *See examples below

When and how to apply

- No formal application. The subsidy is received via reduced payroll remittances to the CRA
- You can start reducing payroll remittances in the first remittance period that includes remuneration paid from March 18, 2020 to June 19, 2020 (i.e. if you are a monthly remitter, you can start reducing on the remittance due April 15, 2020)

If I cannot offer employment to my staff at this time, do I have to formally lay them off so they can apply for CERB?

No. According to the CRA website, workers who remain attached to their company can receive the benefit, provided they have stopped working as a result of Covid-19, and expect to be without employment income for at least 14 consecutive days within the initial four-week period. They also must meet the other eligibility requirements.

Can I claim CEWS AND the 10% wage subsidy?

Yes. If you qualify for both subsidies, you must reduce the wages for CEWS by the 10% subsidy claimed.

Are the subsidies taxable?

Yes. The wage subsidy received under either program by an employer will be considered government assistance and will be included in your business's taxable income in the year it is received.

Canada Emergency Wage Subsidy Examples

a. Business with four-full time employees

Business has closed due to Covid-19 hardships and is only fulfilling online orders. Revenues, compared to the same month in the prior year, are down 30%. Each employee remains on payroll and earning their full salary of \$800/week for a total payroll of \$3,200/week.

Business would be eligible for a weekly subsidy of \$2,400 ($\$800 \times 75\% \times 4$ employees).

b. Employee recall from layoff

Employee was earning a pre-crisis weekly salary of \$1,000 and was laid off due to Covid-19 hardships. Since the business has experienced a 30% decrease in revenue compared to the same period in the prior year, they are eligible for the subsidy. Employee is called back and hired at a new salary of \$750/week.

Business would be eligible for a weekly subsidy of \$750 ($\$1,000$ pre-crisis salary $\times 75\%$). Therefore, no out of pocket cost relating to this employee.

c. New hire

Business has experienced a 30% decrease in revenue compared to the same period in the prior year and is therefore eligible for the subsidy. New employee hired at a salary of \$750/week.

Business would be eligible for a weekly subsidy of \$562.20 ($\$750 \times 75\%$).

Temporary Wage Subsidy Examples

a. Business with eight eligible employees earning \$4,750/ea./month

Business has experienced hardships due to Covid-19, however revenues compared to the same period in the prior year are only down 15%. Therefore, not eligible for the Canada Emergency Wage Subsidy. Employees earn monthly salaries of \$4,750/ea. for total monthly payroll of \$38,000 ($\$4,750 \times 8$).

Business would be eligible for the 10% wage subsidy at \$3,800 ($\$38,000 \times 10\%$). Federal income taxes withheld on the next monthly payroll remittance would be reduced by this amount accordingly.

b. Same as above, period 3

Assuming payroll information remains unchanged, total payroll for the three-month period will be \$114,000 ($\$38,000 \times 3$ months). Therefore, the 10% wage subsidy would be \$11,400 ($\$114,000 \times 10\%$).

Business has reached their cap subsidy. Total subsidy available is only \$11,000 ($\$1,375$ max/employee $\times 8$ employees).