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Canada's COVID-19 Economic Response Plan

The following is a summary of Canada's COVID-19 Economic Response Plan

To our valued clients,

Below are details of the changes to the Canada Emergency Wage Subsidy 2.0 (CEWS) and the changes to the Canada Emergency Business Accounts (CEBA).

Changes to CEWS (2.0) for the claim period 5 to 9:

- the subsidy rate varies depending on how much your revenue dropped
- if your revenue drop was less than 30% you can still qualify, and keep getting the subsidy as employees return to work and your revenue recovers
- employers who were hardest hit over a period of three months get a higher amount
- employees who were unpaid for 14 or more days can now be included in your calculation
- use the current period's revenue drop or the previous period's, whichever works in your favour
 - for periods 5 and 6, if your revenue dropped at least 30%, your subsidy rate will be at least 75%
- even if your revenue has not dropped for the claim period, you can still qualify if your average revenue over the previous three months dropped more than 50%
- the maximum base subsidy rate is 60% in claim periods 5 and 6
- the maximum base subsidy rate will begin to decline in claim period 7, gradually reducing to 20% in period 9
- You have the option of using the old calculation for period 5 and 6 but you must use the new calculation for period 7 forward.

Calculating subsidy for CEWS 2.0:

Note that there are two parts to the calculation:

1) First calculate the base rate:

- a) If revenue dropped 50% or more your base rate is 60%.
- b) If revenue dropped 0-49% your base rate is 1.2 time your revenue drop

2) You get an additional amount based on your average revenue drop in the previous 3 months.

- a) If revenue drop is over a previous 3 - month span is 70% or more you can get a top up of 25% to a maximum of 282.25/week
- b) If revenue drop over previous 3-month span is 50-69% you can get a top up of $1.25 * \text{your revenue drop above } 50\%$. \$1,129 /week is the maximum salary
- c) If revenue drop over previous 3 month span is 0-49% there will be no top up

Revenue calculations under **step 1** can be calculated by comparing the same or previous months revenue to the same month in the prior year or the average of January and February 2020 to the current or previous months revenue.

Revenue calculations under **step 2** can be calculated by comparing the previous three months of average revenue to the same 3 months in the prior year of and average of January and February 2020.

Note: Depending on your revenue drop it may be more advantageous to claim under the old rules (CEWS 1.0) for period 5-6, this is normally if you revenue dropped between 30-60%.

It is a requirement to use one of CRA calculators (online or excel document) to determine how much you are eligible for when filing your claim. [Click on link for more information](#)

Additional information for claim periods:

- Period 5 = July 5 to August 1, 2020
- Period 6 = August 2 to August 29, 2020
- Period 7 = August 30 to September 26, 2020
- Period 8 = September 27 to October 24, 2020
- Period 9 = October 25 to November 21, 2020

Canada Emergency business account (June 26, 2020)

- The Canada Emergency Business Account will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced. There is a loan forgiveness amount of \$10,000 if the total loan is repaid prior to December 31, 2022.

To qualify, these organizations will need to demonstrate:

- a) they paid between \$20,000 to \$1.5 million in total payroll in 2019

or

- b) having eligible non-deferrable expenses between \$40,000 and \$1,500,000 in 2020. Expenses are considered “Eligible Non-Deferrable Expenses” if they were already incurred in January and/or February 2020, or are due to a legal or contractual obligation as at March 1 and cannot be avoided or deferred beyond 2020 even during a period of shut down and depressed revenues as a result of COVID. CEBA is not intended to provide income support, or support for variable operating expenses to businesses.

[Click link for more information with regards to CEBA and eligible expenses](#)

Canada Emergency Commercial Rent Assistance (CECRA)

- This program will lower rent by 75 per cent for small businesses that have been affected by COVID-19.
- The program will provide forgivable loans to qualifying commercial property owners to cover 50% of three monthly rent payments that are payable by eligible small business tenants who are experiencing financial hardship during April, May, and June.
- The loans will be forgiven if the mortgaged property owner agrees to reduce the small business tenants’ rent by at least 75% under a rent forgiveness agreement, which will include a term not to evict the tenant while the agreement is in place. The small business tenant would cover the remainder, up to 25% of the rent.
- Impacted small business tenants are businesses paying less than \$50,000 per month in rent and who have temporarily ceased operations or have experienced at least a 70% drop in pre-COVID revenues. This support will also be available to non-profit and charitable organizations.

75% Business wage subsidy summary CEWS (1.0) (updated April 17, 2020) Note: this has been replaced by CEWS 2.0 as described above but can continue to be used for periods 5 and 6.

- Businesses will be eligible if they continue to have employees on payroll, this includes corporations, partnerships, not for profits
- The employer will be required to prove a 15% revenue decline year over year from March 2019 to March 2020, 30% revenue decline April 2019 to April 2020 and 30% revenue decline May 2019 to May 2020 to claim credit for March 14th to April 11th, April 12th to May 9th and May 10th to June 16th respectively.
 - Note revenue can be calculated using the **cash basis** of accounting or the **accrual basis**. You cannot change basis from month to month
- In certain situations a business can compare sales to the average of January and February 2020 sales. These situations normally relate to startup organizations that have experienced significant growth year over year and also new companies that were started in February 2019 or later.
- The subsidy is the maximum of 75% of wages paid or \$847 gross per week, this is based on pre crisis remuneration. See details of the calculation of the subsidy provided in the link.
- These employers would be expected where possible to maintain existing employees' pre-crisis employment earnings. It is not clear at this point how this will be determined
- The subsidy **is** available for non-arms length individuals i.e. owner's salary and other related people that continue to work for the company
- The calculation of revenue can be done based on an affiliated group on a combined or consolidated basis if that is a normal reflection of the entity's operations.
- Employers portion of CPP and EI will be 100% reduced from required remittances if the employee qualifies for the wage subsidy and continues to get paid but does not work at all for the employer i.e. is on paid leave. This is no maximum.
- Applications will be done through CRAs Mybusiness account which should be available soon. It is recommended you ensure

you are setup for My business account. [My Business Account Login](#). You can use your business bank account bank card and password to login and signup under Sign-in Partner.

If you do not qualify for the 75% wage subsidy there is a 10% wages subsidy available if you qualify based on additional limitations that exist. However if the 10% wage subsidy was previously claimed and you are eligible for the 75% wage subsidy, you can not claim both for the same period, the 10% subsidy must reduce any of the 75% subsidy claimed under the CEWS for the same period.

Filing deadline extensions:

- Personal tax filing deadline was June 1, 2020. Final payment of balance owing is delayed to September 1, 2020.
- Business tax payment deadline has been extended to September 30, 2020 for any balances that became due after March 18, 2020.
- Delay in paying HST balances owing to June 30, 2020. This related to 2020 installments for annual filers and Jan to March 2020 for quarterly filers and February and April 2020 for monthly filers. Note you need to continue to file on time. It is not recommended that you get behind with paying HST.
- See CRA link for more details and updates to deadline changes [CRA filing deadline extensions](#)

[Canada revenue website for more information](#)

[Click if you have any additional questions](#)

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