



# Relief measures for businesses: Canada's COVID-19 response plan

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Jamie Golombek, Debbie Pearl-Weinberg & Tess Francis

Tax and Estate Planning, CIBC Private Wealth Management

Many Canadian businesses, along with non-profits and charities, have been particularly hard-hit by the financial fallout of COVID-19 and may have experienced a significant loss of revenue. The government has put into place a variety of measures to help Canadian businesses facing hardship as a result of the COVID-19 outbreak to avoid layoffs of workers. Among the measures are a loan program for businesses, wage subsidy programs for employers and two rental subsidy programs.

Here's a brief summary of some of the relief measures available to businesses and non-profits in Canada.

## Canada Emergency Business Account

The Canada Emergency Business Account (CEBA) provides interest-free loans of up to \$60,000 to businesses and not-for-profits to help cover certain non-deferrable operating expenses during a period where their revenues have been temporarily reduced due to the economic impacts of the COVID-19 pandemic. These expenses include certain payroll, rent, utilities, insurance, property tax and regularly-scheduled debt service. The loans are guaranteed by the Canadian government and administered by your financial institution. Up to \$20,000 can be forgiven of a \$60,000 loan if the balance is repaid by December 31, 2022<sup>1</sup>. The application deadline for CEBA loans has been extended to June 30, 2021.

To qualify, borrowers must have a federal tax registration number. They will either need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019 based on their 2019 T4 SUM Summary of Remuneration Paid, or alternatively, that they have certain non-deferrable expenses of between \$40,000 and \$1.5 million, and have filed a 2019 income tax return. To be eligible, expenses must have been paid in January or February 2020, or a legal obligation to pay the expense in 2020 must have existed as of March 1, 2020. These expenses will be adjusted for support or subsidies received by a business under another Canadian government COVID-19 response program.

## Applying at CIBC

Business owners who do day-to-day business banking with CIBC are able to use a fully digital application process to apply for CEBA. To qualify, the business must use a CIBC business operating account. This account must be opened before applying for CEBA. If CIBC isn't your primary bank, you should apply through the financial institution that holds your primary business operating account.

To apply, CIBC business clients must have registered for CIBC Online Banking® for Business. Applications are started using this online banking system. Those applications based on the payroll option can complete their application online at CIBC using their CRA Payroll Number. If the application is based on the non-deferrable expenses stream, then applicants will be directed to a government CEBA website to upload

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<sup>1</sup> Prior to October 2020, the CEBA loan amount was \$40,000 and on the first \$40,000 received, 25% was forgivable. On amounts over \$40,000, 50% is forgivable. To access the additional \$20,000 CEBA loan announced in October, a business is required to attest to losses in revenue due to COVID-19.

evidence of the non-deferrable expenses. Once the loan is processed, funds will be deposited directly to the client's CIBC business operating account. If the loan can't be repaid by December 31, 2022, it can be converted into a 3-year term loan with an interest rate of 5%.

To make sure CIBC can manage application volumes and process loans quickly, all applications must be submitted online. If your business isn't yet registered for CIBC Online Banking® for Business, you can register now using your CIBC Business Convenience Card® number.

## Taxation

The CRA has indicated that the amount that is forgivable is taxable in the year that the loan is received. For instance, if a \$40,000 CEBA loan is received in 2020, \$10,000 must be included in income in 2020. If the loan balance is not repaid by December 21, 2022 so that the \$10,000 is no longer forgivable, an offsetting deduction is available in the taxation year in which the amount is repaid.

## Other loan and guarantee programs

In addition to the CEBA, as part of Canada's Business Credit Availability Program (BCAP), some businesses may also be able to obtain financing to assist with operational cash flow requirements through a new co-lending program set up with the Business Development Bank of Canada (BDC) and a loan guarantee program with the Export Development Bank of Canada (EDC). Loans under each of these programs will be for incremental credit amounts up to \$6.25 million. CIBC clients may now apply for the EDC BCAP as either a term loan or credit facility. Further details on eligibility and specific loan criteria are available through CIBC Commercial Banking Relationship Managers, and on the [EDC website](#).<sup>2</sup> This program is available until June 2021.

## Wage subsidy programs

To help prevent lay-offs, the government has announced two separate wage subsidy programs. The Canada Emergency Wage Subsidy (CEWS) provides both large and small employers with a subsidy to help employers keep their workers when they have had a decline in revenue. The second program, the Temporary Wage Subsidy, is aimed at assisting small- and medium-sized employers with their payrolls by offering qualifying employers a wage subsidy of 10% through reduced payroll remittances.

Detailed information on these two wage subsidy programs may be found in our report, "[Wage subsidy programs for employers: Canada's COVID-19 response plan](#)."<sup>3</sup>

## Canada Emergency Rent Subsidy - (Oct. 2020 to June 2021)

The Canada Emergency Rent Subsidy ("CERS") was announced in October 2020, and replaces the Canada Emergency Commercial Rent Assistance (see below.) This program, however, is provided directly to both qualifying property owners and non-residential tenants, without requiring any participation from a landlord. CERS runs from late September 2020 through June 2021.

In general, entities that qualify for the CEWS will also be eligible for the CERS, including individuals, taxable corporations and trusts, certain partnerships, charities and non-profits who have suffered the required revenue decreases.

Each CERS claim period is four weeks in duration and corresponds with qualifying periods for CEWS. The first period ran from Sept. 27 to Oct. 24, 2020 and the final, ninth period runs from May 9, 2021 to June 5, 2021. Applications must be made within 180 days after the end of the qualifying period.<sup>4</sup>

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<sup>2</sup> See [edc.ca/en/campaign/coronavirus-covid-19.html](https://edc.ca/en/campaign/coronavirus-covid-19.html).

<sup>3</sup> The report "Wage subsidy programs for employers: Canada's COVID-19 response plan" is available online at [cibc.com/content/dam/personal\\_banking/advice\\_centre/tax-savings/covid-wage-subsidy-en.pdf](https://www.cibc.com/content/dam/personal_banking/advice_centre/tax-savings/covid-wage-subsidy-en.pdf).

<sup>4</sup> Details about the CERS can be found online at <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-rent-subsidy.html>.

## Amount of subsidy

The CERS operates as a sliding scale subsidy of eligible expenses. It consists of a base subsidy and a top-up subsidy. The base subsidy is equal to a maximum of 65% of those expenses for those organizations with a revenue decline of 70% (or more). For revenue drops between 50% and 70%, the base subsidy rate drops to 40% plus 1.25 times the revenue drop between 50% and 70%. For a revenue drop of 50% or less, the base rent subsidy percentage is 80% of the revenue reduction percentage.

The top-up subsidy, which is also referred to as "Lockdown Support," is at a 25% rate and is available for those organizations that have been temporarily shut down. It will also be available where an entity must significantly restrict their activities for at least one week under a mandatory federal, provincial, or municipal public health order related to COVID-19. This will be satisfied where at least 25% of revenue from the prior reference period arose from activities that must cease. The government has indicated that this could be satisfied, for instance, where a restaurant is located in an area that has prohibited indoor dining. If the restaurant normally earns at least 25% of revenue from the indoor dining, and is now limited to revenue from take-out orders, it could qualify for the enhanced Lockdown Support. If, however, the restaurant was permitted to continue indoor dining, but was subject to a public health order restricting the number of patrons to, say, four per table, it would not qualify.

## Eligible expenses

Eligible expenses must relate to Canadian commercial real estate, and include commercial rent for a tenant or property taxes, property insurance and most interest on commercial mortgages for the owner.

Eligible expenses will be subject to a cap. For the base subsidy and the Lockdown Support, eligible expenses are capped at \$75,000 per location for each qualifying period. In addition, the base subsidy is subject to an overall cap of \$300,000 that must be shared among affiliated applicants.

## Revenue decline

Revenue for purposes of the CERS is revenue from ordinary activities in Canada, earned from arm's length sources, as determined in accordance with normal accounting practices excluding extraordinary items and capital amounts. Special rules apply for registered charities and non-profit organizations.

To determine the percentage of revenue drop, using the general approach, the change in an entity's monthly revenue is compared year-over-year, for the applicable month. Under the "alternative approach," the current month revenue can be compared with the average of the entity's January and February 2020 revenues. Once an approach is chosen, it must be used for all periods and it must be consistent with the approach chosen if the entity has also applied for CEWS. Also, consistent with CEWS, the greater of the revenue decline for a particular qualifying period and the previous period can be used.

## Canada Emergency Commercial Rent Assistance – (Apr. to Sept. 2020)

The Canada Emergency Commercial Rent Assistance ("CECRA") program provided loans to qualifying commercial property owners who are landlords, to cover 50 per cent of monthly rent payable for the months of April through September 2020 for eligible tenants who are experiencing financial hardship. The program is administered by the Canada Mortgage and Housing Corporation (CMHC). The loans will be disbursed directly to the landlord's financial institution. Applications may be made by a landlord for all impacted tenants at once.

For April, May and June, the loans will be forgiven if the landlord reduced the tenants' rents by at least 75 per cent for the three corresponding months under a rent forgiveness agreement, which includes a term not to evict the tenant while the agreement is in place. The landlord would cover 25 per cent of the rent, the federal and provincial / territorial governments would share 50 per cent<sup>5</sup> and the tenant would cover the remaining 25 per cent of the rent. Landlords must either refund rents already paid for the relevant period, or, if the tenant agrees, provide a credit for future rent.

Eligible tenants included:

- Businesses paying no more than \$50,000 per month in rent, that have no more than \$20 million in gross annual revenues, who temporarily ceased operations or experienced at least a 70 per cent drop in pre-COVID-19 revenues<sup>6</sup>; and
- Non-profit or charitable organizations.

For the months of July, August and September, if a business qualified for CECRA for April, May and June, then they automatically qualified for July, August and September, without reassessing their revenue decline. When applying for the July, August and September CECRA extensions, the landlord may select which tenants from the original application are to be included for those months. You were also able to apply for the July, August and September rent reduction as a new applicant for CECRA.

The deadline to submit new applications was September 30, 2020.<sup>7</sup>

## **Employer payroll reporting – new T4 requirements for 2020**

Additional employer payroll reporting was required for the 2020 T4 tax slip, which reports remuneration paid to employees. Four new information codes were required to report employment income and retroactive payments to employees relating to the following time periods:

- Code 57: Employment income – March 15 to May 9
- Code 58: Employment income – May 10 to July 4
- Code 59: Employment income – July 5 to August 29
- Code 60: Employment income – August 30 to September 26

Each period relates to the dates on which the employee was paid (and not necessarily the period of work the payment covered.) These new reporting requirements are in addition to the existing requirement to report the employee's total annual income in Box 14, "Employment Income."

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<sup>5</sup> The provinces and territories have agreed to share up to 25 per cent of costs and facilitate implementation of the program. For example, details of the Ontario-Canada Emergency Commercial Rent Assistance Program are available online at [news.ontario.ca/opo/en/2020/04/ontario-canada-emergency-commercial-rent-assistance-program.html](https://news.ontario.ca/opo/en/2020/04/ontario-canada-emergency-commercial-rent-assistance-program.html).

<sup>6</sup> Revenue loss can be calculated by comparing gross revenue from April, May and June of 2020 with either revenue from April, May and June of 2019, or alternatively the average gross revenues for January and February of 2020.

<sup>7</sup> If you had been approved for rental assistance and are applying for the July, August, or September extension, the deadline to submit your application was October 30, 2020.

The purpose of this additional reporting is to assist the CRA to validate payments under the Canada Emergency Response Benefit, Canada Emergency Student Benefit and the CEWS, as eligibility for those benefits is impacted by employment income paid during these specified periods.

[jamie.golombek@cibc.com](mailto:jamie.golombek@cibc.com)

Jamie Golombek, CPA, CA, CFP, CLU, TEP is the Managing Director, Tax & Estate Planning with CIBC Private Wealth Management in Toronto.

[debbie.pearl-weinberg@cibc.com](mailto:debbie.pearl-weinberg@cibc.com)

Debbie Pearl-Weinberg, LLB is the Executive Director, Tax & Estate Planning with CIBC Private Wealth Management in Toronto.

[tess.francis@cibc.com](mailto:tess.francis@cibc.com)

Tess Francis, CFP, CPA, CA, CPA/PFS, TEP is the Director, Tax & Estate Planning with CIBC Private Wealth Management in Toronto.