Special Update – COVID-19: Government Support for Businesses and their Employees

With the constantly evolving COVID-19 situation, business owners should familiarize themselves with the recent announcements and financial support outlined by the Federal Government. This Special Update highlights many of the new programs available to businesses and those available to assist employees. To better understand how these measures may affect your business, please contact your IG Consultant.

Note: Current as of April 1, 2020. Many of the details of the programs described herein are yet to be released and may be subject to change. We will issue updates as more information becomes available.

Temporary Support for Businesses

EXTENSION OF TAX FILING DEADLINES AND TAX PAYMENT DUE DATES

SOLE PROPRIETORS
• The filing date for self-employed individuals and their spouses or common-law partners remains unchanged as June 15, 2020
• The deadline for paying income taxes that become owing on or after March 18, 2020 and before September 2020 is deferred until September 1, 2020. This includes income taxes owing for the 2019 taxation year and installment payments for 2020.

CORPORATIONS
• No extensions to corporate tax return filing deadlines have been announced by the CRA to date. Returns are due 6 months after-year end.
• The deadline for paying Part I income taxes that become owing on or after March 18, 2020 and before September 2020 is deferred until September 1, 2020. This relief applies to tax balances due as well as instalments.

ELECTRONIC FILING AND ELECTRONIC SIGNATURES
Individuals and corporations are encouraged to e-file their tax returns if they expect a refund. As a temporary administrative measure, electronic signatures will be accepted to authorize electronic filing.

QUEBEC TAX FILERS
The Quebec government has announced similar tax filing and payment deadline extensions for individuals, trusts and businesses.
ALBERTA TAX FILERS
Corporate income tax balances and instalment payments coming due between March 18, 2020 and August 31, 2020 are deferred until August 31, 2020.

Provinces other than Alberta and Quebec do not have separate corporate tax returns and thus will have the same deferral as provided under the Federal extension.

GOODS AND SERVICES TAX (GST), HARMONIZED SALES TAX (HST), IMPORT DUTIES AND TAXES ON IMPORTS
The Minister of National Revenue will extend until June 30, 2020 the time that:
- Monthly filers have to remit amounts collected for their February, March and April 2020 reporting periods;
- Quarterly filers have to remit amounts collected for the January 1, 2020 through March 31, 2020 reporting period; and
- Annual filers, whose GST/HST return or instalments are due in March, April or May 2020, have to remit amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer’s current fiscal year.

CANADA EMERGENCY WAGE SUBSIDY
The Canada Emergency Wage Subsidy (CEWS) will cover 75% of wages paid by eligible employers up to a weekly maximum subsidy of $847 per employee and will apply for the 12-week period from March 15 to June 6, 2020. There is no limit on the number of employees for which an employer can claim the subsidy or the total subsidy that can be claimed by an employer.

What is Eligible Remuneration?
Eligible remuneration may include salary, wages, and other remuneration but would not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle

Who is an Eligible Employer?
Eligible employers include individuals, taxable corporations, and partnerships consisting of eligible employers. The subsidy will also be available to charities and non-profits.

To receive this subsidy, a business must have experienced a decrease in gross revenue of at least 30% in March, April or May 2020 in comparison to the same month in 2019. The table below outlines each claiming period and the period in which it must have a decline in revenue of 30 per cent or more.

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<thead>
<tr>
<th>Eligible Period</th>
<th>Claiming period</th>
<th>Reference period for eligibility</th>
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<tbody>
<tr>
<td>Period 1</td>
<td>March 15 – April 11</td>
<td>March 2020 over March 2019</td>
</tr>
<tr>
<td>Period 2</td>
<td>April 12 – May 9</td>
<td>April 2020 over April 2019</td>
</tr>
<tr>
<td>Period 3</td>
<td>May 10 – June 6</td>
<td>May 2020 over May 2019</td>
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For eligible employers established after February 2019, eligibility would be determined by comparing monthly revenues to a reasonable benchmark.

Revenues, for this purpose, will consist of revenue from its business carried on in Canada from arm’s length sources. Employers will need to reapply each month and will need to attest that they are doing everything they can to pay the remaining 25% of their worker’s income.

How is the CEWS Calculated?
The subsidy on eligible remuneration paid to a given employee between March 15 and June 6, 2020 would be the greater of:

- 75 per cent of the amount of remuneration paid, up to a maximum benefit of $847 per week; and
- the amount of remuneration paid, up to a maximum benefit of $847 per week or 75 per cent of the employee’s pre-crisis weekly remuneration, whichever is less.

A special rule will apply to employees that do not deal at arm’s length with the employer. The subsidy amount for such employees will be limited to the eligible remuneration paid in any pay period between March 15 and June 6, 2020, up to a maximum benefit of $847 per week or 75 per cent of the employee’s pre-crisis weekly remuneration.

Other Important Information:
- Organizations that don’t qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced temporary small business wage subsidy (TSBWS).
- For employers that are eligible for both the CEWS and the TSBWS for a period, any benefit received from the 10 per cent wage subsidy (TSBWS), for remuneration paid in a specific period, would generally reduce the amount available to be claimed under the CEWS in that same period.
- Employers are not eligible to claim the Canada Emergency Wage Subsidy for remuneration paid to an employee in a week that falls within a 4-week period for which the employee is eligible for the Canadian Emergency Response Benefit.
- Employers receiving this subsidy are required to report the total amount received as taxable income in the year it is received.

How to Apply
- Eligible employers will apply through the Canada Revenue Agency’s My Business Account portal as well as a web-based application which is expected to be available sometime between the end of April and mid-May, with funds expected to be available in mid-May. The Government encourages businesses to register for direct deposit with the CRA to ensure they receive funds quicker. Finance is currently working on draft legislation as well as additional details of these incentives and how they will be administered.
- For further information on this subsidy, please visit: https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html
TEMPORARY SMALL BUSINESS WAGE SUBSIDY (TSBWS)

- The TSBWS provides eligible small employers with a temporary wage subsidy for a period of up to three months. The subsidy is equal to 10% of remuneration paid during that period, up to a maximum subsidy of $1,375 per employee and $25,000 per employer. Legislation implementing this measure was passed on March 25.
- Employers eligible for the TSBWS include sole proprietorships and partnerships with employees, corporations eligible for the small business deduction, as well as non-profit organizations and charities. In order to qualify, the business must have had an existing business number and payroll program account with the CRA on March 18, 2020.
- To obtain this support, employers can reduce their remittances of income tax withheld on their employees’ remuneration by the amount of the subsidy. Employers can start reducing employee income tax remittances in the first remittance period that includes remuneration paid between March 18, 2020, and June 20, 2020. Employers cannot reduce remittance of other source deductions such as Canada Pension Plan/Quebec Pension Plan contributions and Employment Insurance premiums.
- If an eligible employer does not reduce payroll remittances during the year, a request can be made to either have the subsidy paid at the end of the year or transferred to the next year’s remittance.
- Employers receiving this subsidy are required to report the total amount received as taxable income in the year it is received.
- Of note, in the legislation there appears to be no eligibility restrictions on remuneration paid to a controlling shareholder or to their family members. Reasonableness tests related to the payment of salary to family members must always be considered.

EMPLOYMENT INSURANCE WORK SHARING PROGRAM

- Employers impacted by a downturn in business may benefit from temporary changes to the existing EI Work Sharing Program, helping them retain their employees during slower times. The temporary changes now provide EI benefits to workers who agree to reduce their normal working hours as a result of developments beyond the control of their employers. This temporary measure extends the eligibility of such agreements to 76 weeks (previously 38 weeks), easing eligibility requirements, and streamlining the application process.
- For more information on who is eligible for the Work Sharing Program, please see: https://www.canada.ca/en/employment-social-development/services/work-sharing/eligibility.html
- Employers who apply for the Work Sharing program must complete the Application for a Work-Sharing Agreement, as well as provide supporting documentation. Templates and instructions for each of these documents can be found at: https://www.canada.ca/en/employment-social-development/services/work-sharing/application.html
- Your application for the Work Sharing Program should be emailed to Service Canada. Depending on the area in which you live, Service Canada has provided several email addresses at: https://www.canada.ca/en/employment-social-development/services/work-sharing/apply.html

LAYOFFS, CONSTRUCTIVE DISMISSAL AND SEVERANCE

- If layoffs are not contemplated in the employment contract with an employee, laying off an employee may be considered constructive dismissal or termination of employment.
• Employment standards legislation in every province ensures that an employer must provide the employee with reasonable notice of intention to terminate employment (the length varies by province); however, an employer can choose to pay the employee’s salary for that period in lieu of notice.

• In many instances, the legislated minimum is simply a starting point, and the actual severance payment required under the law will depend upon the circumstances of each situation, including age, experience, length of service, title and responsibility, industry involved, and available opportunities in the job market. It is usually advisable to contact a lawyer with expertise in employment law to assess the reasonableness of any severance/termination packages that are offered.

INCREASING ACCESS TO CREDIT FOR BUSINESSES

• On March 27, the Prime Minister also announced the creation of the new Canada Emergency Business Account. This program will allow banks to provide loans of up to $40,000, guaranteed by the Government of Canada, to qualifying small businesses and non-profits. The loans will be interest free for the first year. Repaying the balance of the loan on or before December 31, 2022 will allow for loan forgiveness of 25 percent (up to $10,000).
  o To qualify, these organizations will need to demonstrate that they paid between $50,000 to $1 million in total payroll in 2019.
  o Small businesses and not-for-profits should contact their financial institution to apply for these loans.

• The new Business Credit Availability Program, announced on March 13, 2020, will allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide more than $10 billion of additional support to businesses experiencing cash flow difficulties. On March 27, the Prime Minister announced that a further $12.5 billion of financing will be made available through these programs.

• More information on the Business Credit Availability Program can be found at: https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html

• Additionally, Farm Credit Canada will increase the near-term credit available to farmers and the agri-food sector.

Temporary Support for Employees and the Self-Employed

EMPLOYMENT INSURANCE SICKNESS BENEFIT
Since March 15, 2020, the Government is temporarily waiving:
The one-week waiting period for those individuals in imposed quarantine that claim Employment Insurance (EI) sickness benefits

CANADA EMERGENCY RESPONSE BENEFIT
• The new Canada Emergency Response Benefit (CERB) will provide a taxable benefit of $2,000 per month for up to 16 weeks for workers who lose their income as a result of COVID-19. The CERB is
paid every four weeks and is available between the period from March 15, 2020 until October 3, 2020. This new benefit is meant to replace the previously announced Emergency Care Benefit and the Emergency Support Benefit.

- The CERB will apply to wage earners, as well as to contract workers and self-employed individuals who would not otherwise qualify for EI. The CERB will provide income support to:
  - Individuals who have lost their job, are sick, quarantined, or taking care of someone who is sick with COVID-19,
  - Working parents who must stay home without pay to care for children who are sick or at home because of school and daycare closures,
  - Workers who are still employed, but are not receiving income because of disruptions to their work situation due to COVID-19, and
  - Self-employed individuals who are not earning any income as a result of COVID-19.
- To be eligible for the CERB, individuals must be at least 15 years old and for 2019 or in the 12-month period preceding their application have had income of at least $5,000.
- Individuals already receiving EI regular and sickness benefits would continue to receive those benefits and should not apply for the CERB, however if their EI benefits end prior to October 3, 2020, they could apply for the CERB once their EI benefits cease if they are unable to return to work due to COVID-19. Workers that have already applied for EI and whose application has not yet been processed would not need to reapply. Workers who are eligible for EI regular and sickness benefits would still be able to access their normal EI benefits, if still unemployed, after the 16-week period covered by the CERB.
- The application for the CERB is to be made available in early April 2020 through CRA’s My Account (a secure online portal), an automated telephone line, or through a toll-free number. We encourage you to consider setting up your CRA My Account right away and sign up for direct deposit to receive your benefits quicker.

GOODS AND SERVICES TAX CREDIT
For low and modest-income families, the Government is providing a one-time special payment by early May 2020, doubling the maximum annual Goods and Services Tax credit payment amounts for the 2019-20 benefit year. There is no need to apply for this payment. Eligible individuals will receive it automatically.

CANADA CHILD BENEFIT (CCB)
The Government is increasing the maximum annual payment amounts for the 2019-20 benefit year by $300 per child. Qualifying families will automatically receive the extra amount as part of their May payment.

For more information, please contact your IG Consultant.