Blaney McMurtry LLP

PUBLICATION

Federal and Ontario COVID-19 Relief Measures for Businesses

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As the COVID-19 pandemic continues to have a significant impact on businesses across Canada, governments continue to respond with programs designed to offer support.

We provide below a summary of Federal and Ontario government tax and other measures developed to support business during this challenging time.

Federal Measures

Employment Benefit

On April 14, 2020, the CRA stated at the APFF (Association de planification fiscale et financière) that in the context of the COVID crisis, the CRA is willing to accept a reimbursement of an amount not exceeding $500 for the purchase of personal computer equipment to be principally for the benefit of the employer. In other words, the $500 would not be a taxable benefit to the employee.

75% Wage Subsidy

A 75% Wage Subsidy is available to eligible employers for up to 12 weeks retroactive to March 15, 2020. The twelve weeks is broken down into three periods.

	Period
Period 1	March 15 to April 11
Period 2	April 12 to May 9
Period 3	May 10 to June 6

To qualify for the Wage Subsidy, a company has to have experienced a decline in revenues of at least 15% in March 2020, and at least 30% in April 2020 and May 2020. Revenue is calculated under the accrual method or on the cash method. It cannot be a combination of both.

The determination of whether a decline has happened is made by comparing revenue earned in March, April and May either to the same months in 2019 or by comparing it to an average of your revenue in January and February of 2020.

Once a business qualifies for one period, it **automatically** qualifies for the next period.

The above relief provisions came into force on April 11 which meant that a business that had laid off employees prior to April 11 would not be able to claim the subsidy for Period I. Discussions by a member of the tax community with the Department of Finance confirmed that the subsidy would be available if such employees were retroactively placed back on payroll for March 15. This strategy could only work however if the employer was able on a timely basis to re-hire the employee because an employer is not eligible to claim the Subsidy if wages paid to an employee in a week falls within a 4-week period for which the employee is eligible for CERB (Canada Emergency Response Benefit).

Under CERB, a laid off employee is eligible for a taxable benefit of $2,000 every 4 weeks for up to 16 weeks.

Under the wage subsidy program an employee will be entitled to the least of $847 per week, 75% of baseline remuneration and 100% current remuneration.

A business can be a sole proprietorship, taxable corporations, non-profit organizations, registered charities, and partnerships of eligible employers. Public bodies such as municipalities, local governments, colleges and universities, schools, hospitals, and Crown corporations are not eligible for the subsidy.

The Federal Government expects employers to make their best efforts to return employee salaries to pre-crisis levels. What constitutes “best efforts” was not defined in the legislation.

The Wage Subsidy as titled applies only to “wages” which is in essence remuneration paid to employees and subject to payroll withholdings. A shareholder of a closely held corporation will not be entitled to relief under the Wage Subsidy program but can seek relief under the CERB program.

CRA has now an online calculator available for employers to calculate the wage subsidy. Please see the following link: https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html

Applications can be submitted on April 27, 2020 through the my business portal. Please see https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-how-apply.html.

GUARANTEES AND LOANS

In order to be eligible for the loan programs listed below, a business must have been impacted directly or indirectly by recent events and must have been financially viable prior to the impact from COVID-19.

EDC Guarantee

Effective March 24, 2020, EDC is stepping up to support all exporting companies by offering their bank a guarantee on loans of up to $5M so that companies can access more cash immediately. For more details, contact us.

The Government of Canada has also broadened the domestic powers for Export Development Canada (EDC) during the COVID-19 crisis. Through the Business Credit Availability Program (BCAP), EDC will guarantee new operating credit and cash-flow term loans that financial institutions extend to small- to medium-sized enterprises, up to $6.25 million. The program cap for this guarantee will be a total of $20 billion for export sector and domestic companies.

A small enterprise is a business that employs up to 99 employees. A medium sized business is one that employs 100 to 499 employees. A large business is one that employs 500 employees or more.

Business Development Bank of Canada Co-Lending Program

This will also be a joint co-lending program between the Business Development Bank of Canada (BDC) and financial institutions. Small and medium-sized businesses can get support through a new Co-Lending Program that will bring the BDC together with financial institutions to co-lend term loans to these businesses for their operational cash flow requirements. Eligible businesses may obtain incremental credit amounts up to $6.25 million, 80% of which would be provided by BDC, with the remaining 20% by a financial institution. The BDC's portion of this program will be up to $5 million maximum per loan.

Canada Emergency Business Account

On April 6, the Federal Government announced The Canadian Emergency Business Account will now provide up to $40,000 in interest free government-guaranteed loans to businesses that had payrolls last year between $20,000 and $1.5 million. It previously offered loans to business with a narrower range of payrolls, between $50,000 and $1 million. Repaying the loan on or before December 31, 2022 will result in a loan forgiveness of 25% (up to $10,000).

IRAP

SR&ED (Scientific Research and Development) activities are often funded by governmental programs such as the federal Industrial Assistance Research Program (IRAP). On April 17, 2020 the Federal Government announced that it is adding $250 million to the IRAP program.

HST

The CRA will allow all businesses to defer, until the end of June 2020, any GST/HST payments or remittances that become owing on or after March 27, 2020, and before June 2020. No interest will apply to payments or remittances are made by the end of June 2020.

The deadline for businesses to file their returns is unchanged. HST returns should continue to be filed on a timely basis. However, recognizing the difficult circumstances faced by businesses, the CRA won't impose penalties where a return is filed late provided that it is filed by June 30th.

Income Tax Returns Filing and Payment Extension

An extension has been granted to corporations who would had to file their tax returns after March 18 and before June 1, 2020. These corporations now have up to June 1, 2020 to file their corporate income tax return.

An extension has been granted to September 1, 2020 for income tax balances due under Part 1 of the Income Tax Act on or after March 18 and before September 1, 2020.

ONTARIO

Employer Health Tax

On March 25, 2020, the Ontario government announced it is increasing the Employer Health Tax (EHT) exemption for 2020 from $490,000 to $1 million due to the special circumstances caused by the coronavirus (COVID-19) in Ontario. If payroll is lower than $1 million, the employer does not need to notify the Ministry of Finance.

Deferral Payments – Ontario Administered Tax

For employers with payrolls larger than $1 million, Ontario announced on March 25, 2020 a deferral until August 31, 2020 to make such payment without interest or penalty. This deferral applies to any provincially administered tax.

The following provincial taxes are included in the relief period:

- Employer Health Tax
- Tobacco Tax
- Fuel Tax
- Gas Tax
- Beer, Wine & Spirits Tax
- Mining Tax
- Insurance Premium Tax
- International Fuel Tax Agreement
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Race Tracks Tax

Relief is automatic. If a business is unable to file their return or remittance during the relief period, they **do not need** to contact or notify the Ministry of Finance. Penalties and interest will be waived automatically for all late returns or remittances by Ontario businesses during the relief period.

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