

# Additional Support for Canadian Businesses from the Economic Impact of COVID-19

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**From: Department of Finance Canada**

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## Backgrounder

The Government of Canada is making additional investments to support Canadian businesses from the economic impacts of COVID-19. These new investments provide support to financial institutions and allow them to quickly provide credit and liquidity options for a range of businesses.

These measures are a part of the Government of Canada's [COVID-19 Economic Response Plan](#), which provides direct support and tax deferrals to Canadian workers and businesses to help them in these difficult times.

For complete coverage of the additional support, please visit the Department of Finance website:

<https://www.canada.ca/en/department-finance/news/2020/03/additional-support-for-canadian-businesses-from-the-economic-impact-of-covid-19.html>

### Updates from our last news letter dated March 25, 2020:

- Updated income tax filing and payment dates
- Canada Emergency Response Benefit (CERB)
- The Canada Emergency Wage Subsidy program<sup>1</sup>
- New loan programs for businesses

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<sup>1</sup> An employer would not be 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 who are not eligible for the Canada Emergency Wage Subsidy would still be able to furlough employees who will receive up to \$2,000 a month.

## Income tax filing and payment dates: CRA and COVID-19

*Penalties and interest will not be charged if the deferred payment requirements are met by September 1, 2020. Penalties and interest relief will be considered on a case-by-case basis for income tax balances that are not covered by the COVID-19 relief provisions described below.*

<b>Individuals – Due dates</b>	
<b>Filing date for 2019 tax year</b>	June 1, 2020
<b>Payment date for 2019 tax year</b>	September 1, 2020 <i>Includes the June 15, 2020, instalment payment for those who have to pay by instalments</i>
<b>Self-employed and their spouse or common law partner – Due dates</b>	
<b>Filing date for 2019 tax year</b>	June 15, 2020 (unchanged)
<b>Payment date for 2019 tax year</b>	September 1, 2020 <i>Includes the June 15, 2020, instalment payment for those who have to pay by instalments</i>
<b>Corporations – Due dates</b>	
<b>Filing date for current tax year</b>	June 1, 2020 <i>Applies to corporations that would otherwise have a filing due date after March 18 and before June 1, 2020</i>
<b>Payment date for current tax year</b>	September 1, 2020 <i>Applies to balances and instalments under Part 1 of the Income Tax Act due on or after March 18 and before September 1, 2020</i>
<b>Trusts – Due dates</b>	
<b>Filing date for current tax year (including the associated T3 information return)</b>	May 1, 2020 <i>Applies to trusts with a tax year end date of December 31, 2019</i>  June 1, 2020 <i>Applies to trusts that would otherwise have a filing due date in April or May</i>
<b>Payment date for current tax year</b>	September 1, 2020 <i>Applies to income tax balances and instalments due on or after March 18 and before September 1, 2020</i>
<b>Charities – Due dates</b>	
<b>Filing date</b>	December 31, 2020 <i>Applies to charities with Form T3010 due between March 18, 2020 and December 31, 2020</i>
<b>Payment date</b>	Not applicable

<b>Part XIII non-resident tax – Due dates</b>	
<b>Filing date for the 2019 NR4 information return</b>	May 1, 2020
<b>Payment date</b>	<i>The 15<sup>th</sup> of each month following an amount paid or credited by residents of Canada to non-resident persons</i>
<b>Payroll remittances – Due dates</b>	
<b>Payment date</b>	See <a href="#">Payroll page</a> for filing deadlines (unchanged)
<b>Information returns</b>	
<b>Filing date for the 2019 T5013 Partnership Information Return</b>	May 1, 2020
<b>Filing date for the 2019 NR4, Statement of Amounts Paid or Credited to Non-Residents of Canada information return</b>	May 1, 2020
<b>Other information returns</b>	June 1, 2020 <i>Applies to other information returns that would otherwise be due after March 18, 2020 and before June 2020</i>

## Canada Emergency Response Benefit (CERB)

The CERB supports Canadians by providing urgently needed financial support to employed and self-employed Canadians who have been directly affected by COVID-19.

It provides a payment of \$2,000 for a 4-week period (equivalent to \$500 a week) for up to 16 weeks.

The government website is now available with further information provided on:

- Who can apply
- How to apply
- Start to apply (ready **April 6<sup>th</sup>**)
- After you apply

<https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html>

## The Canada Emergency Wage Subsidy

### What It Means for Canadian Businesses

To help businesses keep and return workers to their payroll through the challenges posed by the COVID-19 pandemic, the Prime Minister, Justin Trudeau, proposed the new Canada Emergency Wage Subsidy. This would provide a 75 per cent wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020.

This wage subsidy aims to prevent further job losses, encourage employers to re-hire workers previously laid off as a result of COVID-19, and help better position Canadian companies and other employers to more easily resume normal operations following the crisis. While the Government has designed the proposed wage subsidy to provide generous and timely financial support to employers, it was done with the expectation that employers will do their part by using the subsidy in a manner that supports the health and well-being of their employees.

### Eligible Employers

Eligible employers would include individuals, taxable corporations, and partnerships consisting of eligible employers as well as non-profit organizations and registered charities.

Public bodies would not be eligible for this subsidy. Public bodies include municipalities and local governments, Crown corporations, public universities, colleges, schools and hospitals.

This subsidy would be available to eligible employers that see a drop of at least 30 per cent of their revenue (see *Eligible Periods*). In applying for the subsidy, employers would be required to attest to the decline in revenue.

### Calculating Revenues

An employer's revenue for this purpose would be its revenue from its business carried on in Canada earned from arm's-length sources. Revenue would be calculated using the employer's normal accounting method, and would exclude revenues from extraordinary items and amounts on account of capital.

For non-profits and charities, the government will continue to work with the sector to ensure the definition of revenue is appropriate to their specific circumstances.

### Amount of Subsidy

The subsidy amount for a given employee on eligible remuneration paid 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.

Further guidance with respect to how to define pre-crisis weekly remuneration for a given employee will be provided in the coming days.

In effect, employers may be eligible for a subsidy of up to 100 per cent of the first 75 per cent of pre-crisis wages or salaries of existing employees. These employers would be expected where possible to maintain existing employees' pre-crisis employment earnings.

Employers will also be eligible for a subsidy of up to 75 per cent of salaries and wages paid to new employees.

Eligible remuneration may include salary, wages, and other remuneration. These are amounts for which employers would generally be required to withhold or deduct amounts to remit to the Receiver General on account of the employee's income tax obligation. However, it does not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.

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.

There would be no overall limit on the subsidy amount that an eligible employer may claim.

Employers must make their best effort to top-up employees' salaries to bring them to pre-crisis levels.

### **Eligible Periods**

Eligibility would generally be determined by the change in an eligible employer's monthly revenues, year-over-year, for the calendar month in which the period began. The amount of wage subsidy (provided under the COVID-19 Economic Response Plan) received by the employer in a given month would be ignored for the purpose of measuring year-over-year changes in monthly revenues.

- For example, if revenues in March 2020 were down 50 per cent compared to March 2019, the employer would be allowed to claim the Canadian Emergency Wage Subsidy (as calculated above) on remuneration paid between March 15 and April 11, 2020.

The table below outlines each claiming period and the period in which it has a decline in revenue of 30 per cent or more.

### Eligible Period

	<b>Claiming period</b>	<b>Reference period for eligibility</b>
<b>Period 1</b>	March 15 – April 11	March 2020 over March 2019
<b>Period 2</b>	April 12 – May 9	April 2020 over April 2019
<b>Period 3</b>	May 10 – June 6	May 2020 over May 2019

For eligible employers established after February 2019, eligibility would be determined by comparing monthly revenues to a reasonable benchmark.

### How to Apply

Eligible employers would be able to apply for the Canada Emergency Wage Subsidy through the Canada Revenue Agency's My Business Account portal as well as a web-based application.

Employers would have to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees. More details about the application process will be made available shortly.

### Ensuring Compliance

In order to maintain the integrity of the program and to ensure that it helps Canadians keep their jobs, the employer would be required to repay amounts paid under the Canada Emergency Wage Subsidy if they do not meet the eligibility requirements and pay their employees accordingly. Penalties may apply in cases of fraudulent claims. In addition, anti-abuse rules will be proposed to ensure that the subsidy is not inappropriately obtained and to ensure that employees are paid the amounts they are owed. The government is considering proposing to create new offences that will apply to individuals, employers or business administrators who provide false or misleading information to obtain access to this benefit or who misuse any funds obtained under the program. The penalties may include fines or even imprisonment.

### Interaction with 10 per cent Wage Subsidy

On March 18, 2020, the Prime Minister announced a temporary 10 per cent wage subsidy. For employers that are eligible for both the Canada Emergency Wage Subsidy and the 10 per cent wage subsidy for a period, any benefit from the 10 per cent wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in that same period.

### **Interaction with the Canadian Emergency Response Benefit**

An employer would not be 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 who are not eligible for the Canada Emergency Wage Subsidy would still be able to furlough employees who will receive up to \$2,000 a month.

### **Government Assistance**

The usual treatment of tax credits and other benefits provided by the government would apply. As a consequence, the wage subsidy received by an employer would be considered government assistance and be included in the employer's taxable income.

Assistance received under either wage subsidy would reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

### **How businesses will benefit from the Canada Emergency Wage Subsidy**

Bruno and Tisha run a floral shop in Burnaby, British Columbia. They have four full-time employees, each earning \$800 per week, and 6 part-time employees, each earning \$400 per week, for a total weekly payroll of \$5,600. Bruno and Tisha have closed their shop and are only fulfilling online orders during this challenging period. They are keeping all of their employees on the payroll, paying them their full regular wages, despite their revenues being down by 30 per cent. Bruno and Tisha would be eligible for a weekly wage subsidy of \$4,200 (\$600 for each of their full-time employees and \$300 for each of their part-time employees).

## **New Loan Programs for Businesses**

The Government of Canada established a Business Credit Availability Program (BCAP) to provide \$65 billion of additional support through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC).

These programs will roll out in the three weeks after March 27, and interested businesses should work with their current financial institutions.

*Learn more about the Business Credit Availability Program*

<https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html>

These programs include:

### **Canada Emergency Business Account**

To ensure that small businesses have access to the capital they need to see them through the current challenges, the Government of Canada is announcing the launch of the new Canada Emergency Business Account, which will be implemented by eligible financial institutions in cooperation with Export Development Canada (EDC).

This \$25 billion program 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, due to the economic impacts of the COVID-19 virus.

This will better position them to quickly return to providing services to their communities and creating employment.

Small businesses and not-for-profits should contact their financial institution to apply for these loans.

To qualify, these organizations will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000).

### **A New Loan Guarantee for Small and Medium Enterprises**

Small and medium-sized enterprises (SMEs) may be particularly vulnerable to the impacts of COVID-19. To support their operations, EDC will guarantee new operating credit and cash flow term loans that financial institutions extend to SMEs, up to \$6.25 million.

The program cap for this new loan program will be a total of \$20 billion for export sector and domestic companies.

### **A New Co-Lending Program for Small and Medium Enterprises**

To provide additional liquidity support for Canadian businesses, the Co-Lending Program will bring the Business Development Bank of Canada (BDC) together with financial institutions to co-lend term loans to SMEs for their operational cash flow requirements.

Eligible businesses may obtain incremental credit amounts up to \$6.25 million BDC's portion of this program is up to \$5 million maximum per loan. Eligible financial institutions will conduct the underwriting and manage the interface with their customers. The potential for lending for this program will be \$20 billion.