



Financial Help for Small Business Owners & Individuals due to COVID-19

The current COVID-19 environment is challenging for everyone. In addition to health implications, there is also concern about financial effects on the economy and many small business owners and their employees are enduring financial difficulties due to shutdowns. While government agencies are committed to helping individuals and businesses deal with the Coronavirus, the pace of policy development is so rapid that there has been a lot of information to communicate and absorb in a short period of time, and new announcements keep coming. To help, here's information on the most common topics.

The Canada Emergency Wage Subsidy (CEWS) will cover 75% of an employee's wages – up to \$847 per week - for employers of all sizes and across all sectors who have suffered a drop in gross revenues of at least 15% in March, and 30% in April and May. The program will be in place for a 12-week period, from March 15 to June 6, 2020 with a possibility of an extension.

Employers can measure their revenue loss by comparing revenues of March, April, and May 2020 to that of the same month of 2019, or to an average of their revenue earned in January and February 2020. In recognition that the time between when revenue is earned and when it is paid could be highly variable in certain sectors of the economy, it is proposed that employers be allowed to measure revenues either on the basis of accrual accounting (as they are earned) or cash accounting (as they are received). Revenue must exclude non-arm's length transactions. Special rules also exist to address issues for corporate groups and non-arm's length entities.

For employers that are eligible for both the CEWS and the 10% Temporary Wage Subsidy for a period, any benefit from the Temporary 10% Wage Subsidy (see below) for remuneration paid in a specific period will generally reduce the amount available to be claimed under the CEWS in that same period. It should also be noted that the CEWS is considered government assistance and will therefore be taxable. The application process is available through the CRA website along with further details: www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-how-apply.html

The Temporary 10% Wage Subsidy is a measure that will allow eligible employers to reduce the payroll remittances made to the Canada Revenue Agency (CRA) only, for remuneration paid from March 18, 2020 to June 19, 2020. The amount of reduction is subject to a limit of \$1 375 per employee and an overall total of \$25 000 per employer. You cannot reduce your CPP and EI contributions.

Eligible employers include those who have a payroll account number with the CRA on March 18th, 2020 and include individuals, partnerships, non-profit organizations, or Canadian-controlled private corporations eligible for the small business deduction. This 10% wage subsidy will reduce the CEWS if employers apply for that assistance as well. As with the CEWS the 10% wage subsidy is considered government assistance and will be taxable. Contact your Padgett Business Services representative for further assistance.

The Canada Emergency Business Account (CEBA) provides interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover non-deferrable operating costs including payroll, rent, utilities, insurance, property tax, suppliers' bills and regularly scheduled debt payments. It may not be used to refinance existing debt, pay dividends, or fund distributions and increases in management compensation. Repaying the loan on or before December 31, 2022 will result in a loan forgiveness of 25% (up to \$10 000).

To qualify, you will need to demonstrate you paid between \$20,000 (recently reduced from \$50 000) to \$1.5 million in total payroll in 2019. At this point in time, new companies that started after 2019 or who do not meet this threshold do not qualify. More specifically, the government is aware that this poses a problem for businesses that pay remuneration only through dividends rather than salary. They have not yet made any official announcement to permit ordinary dividends to qualify.

Business owners can apply for support from the Canada Emergency Business Account through their bank where they have their primary business account. Initially it was not possible to apply through a credit union although some are now authorized, so check with your institution. The government is working on ways to qualify through a bank if your credit union is not authorized.



The Canada Emergency Response Benefit is probably the most well-known program and so we will only comment here that one important change recently made is that the government will now accept ordinary dividends to meet the \$5 000 remuneration test for 2019. Further information on the criteria and application process can be obtained on the Canada Revenue Agency's website. See <https://www.canada.ca/en/revenue-agency.html>

Measures to Assist Students. All student loan borrowers will automatically have their loan repayments and interest suspended until September 30, 2020. Students do not need to apply for the repayment pause. This moratorium applies to the federal portion of student loans. Borrowers should check with their provincial or territorial student loan provider to see if payment is required on the provincial or territorial portion.

Some students will also qualify for the CERB. The government is working on a new Canada Emergency Student Benefit to assist those post-secondary students who do not qualify for the CERB. They are also creating a Canada Student Service Grant. We expect the government to provide further details on these programs in the coming weeks.

Reduced Minimum Withdrawals on RRIFs. For 2020, the government has reduced the required minimum withdrawals from RRIFs by 25%. If you have already withdrawn more than the reduced minimum amount you will not be permitted to re-contribute the funds back to your RRIF. You may want to update your existing payment schedule now or delay a payment later in the year. Contact your investment advisor or financial institution for assistance.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.