

# Canada COVID-19 Emergency Response Plan to Individual, students, and Business CERB, CESB, CEBA, CEWS, CECRA

Sunny Sun, CPA, CGA 孫光芬會計師

BCSUN & Associates Inc.

[www.bcsun.ca](http://www.bcsun.ca)

TEL: 604-270.4610

#708-6081 No.3 Road, Richmond, BC, V6Y 2B2, Canada

May 19, 2020 (updated)

# Individual

- ▶ 1. CERB: (Canada Emergency Response Benefit) \$2,000/M for Max 4 months from March 15.2020 (This program will link with EI program)
- ▶ CERB: budget is 24 Billion
- ▶ 2. Personal income tax filing deferred to 5/31, tax payment deferred to 8/31
- ▶ 3. All installment, GST payment all deferred to 6/30
- ▶ 4. GST credit one time boost in May and in July
- ▶ 5. Canada Child Benefit CCB, One time boost in May \$300 extra per child
- ▶ 6. Mortgage might deferral max 6 month for individual impacted by COVID-19
- ▶ 7. Senior : one time \$350 to OAS eligible, \$150 extra for GIS eligible
- ▶ 7. BC government will also subsidy tax free one time \$1,000 to people eligible to CERB. Can apply from May 1.

# Students (CESB)-Canada Emergency Student Benefit

- ▶ 1. 4/22 Canada Emergency Student Benefit—May to August (4 months)
- ▶ to give \$1,250 a month for **post-secondary students and recent graduates**, who's income is **\$1,000 or less** over the four-week period they are applying. The Student benefit will increase to **\$2,000** where the student has disability or in taking care of someone else. Must re-apply for each CESB period.
  - ▶ students who are enrolled in a post-secondary education program leading to a degree, diploma, or certificate;
  - ▶ students who ended their post-secondary studies or graduated no earlier than December 2019;
  - ▶ high-school graduates who have applied for and will be joining post-secondary programs in the coming months; and
  - ▶ Canadian students studying abroad meeting one of the above criteria.
  - ▶ CESB is for students who are not qualified for CERB.

# Students (CESB)-Canada Emergency Student Benefit

- ▶ Students, including those studying abroad, are eligible for the CESB if they are:
  - ▶ a Canadian citizen, including dual citizens;
  - ▶ a registered Indian under the Indian Act;
  - ▶ a permanent resident; or
  - ▶ a protected person.
  
- ▶ International students, temporary workers who have a SIN beginning with “9”, and non-resident students with international tax numbers are not eligible for the CESB.
  
- ▶ When applying, students must attest that for COVID-19 related reasons, they are:
  - ▶ unable to work; or
  - ▶ seeking work but are unable to find it; or
  - ▶ working but unable to make more than \$1,000 (before taxes) over the four-week period for which they are applying.

# Students (CESB)-Canada Emergency Student Benefit

- ▶ Students working full-time or part-time can earn up to \$1,000 (before taxes) during the four-week period for which they are applying for CESB. The \$1,000 includes:
  - ▶ employment/self-employment income;
  - ▶ taxable benefits and allowances provided by an employer;
  - ▶ tips a student may earn while working;
  - ▶ non-eligible dividends;
  - ▶ honoraria (e.g., nominal amounts paid to emergency service volunteers); and
  - ▶ royalties (e.g., paid to artists).
- ▶
- ▶ The \$1,000 limit does not include:
  - ▶ pensions, student grants and loans, scholarships, bursaries, graduate stipends
  - ▶ family, common-law, and spousal income
  - ▶ graduate stipends and bursaries
  - ▶ educational funding for indigenous students through the Post-Secondary Student Support Program ( PSSSP)

# CESB—need to pay back, if

- ▶ If a recipient is later deemed to be ineligible—for example, because they earned more than \$1,000 before taxes during the four-week period for which they received the benefit—they would need to repay the CESB through their CRA My Account.

# Student other assistance:

- ▶ 2. Federal **Student loan** interests free for six months to 9/30
- ▶ 3. **Canada Student Service Grant**: will provide \$1K -5K for student volunteers working in programs related to COVID-19.
- ▶ 4. **Canada Student Summer Job Plan**: Employer who hire students (15-30 years old) for summer jobs can receive 100% subsidy for that province basic wages rate. Budget \$263 million

# Business:

- ▶ 1. CEBA Canada Emergency Business Account → loan \$40,000 (through banks)
- ▶ 2. CEWS Canada Emergency Wage Subsidy → 75% of payroll (3/15-8/31)
- ▶ 3. TWS Temporary Wage Subsidy → 10% of payroll (3/18-6/20)
- ▶ 4. CECRA Canada Emergency Commercial Rent Assistance (April to June)
- ▶ 5. BCAP Business Credit Availability Program → \$6.25 million (Co-Lending)
- ▶ 5. Corp Tax and remittance deferral: to 9/30
- ▶ 6. GST and custom payment deferral: to 6/30
- ▶ 7. Export Development : budget \$12.5 billion
- ▶ 8. Protective Personal Equipment production : budget \$2 Billion
- ▶ 9. Support farmers: fisher/shell farmer, Agri farmer: budget \$5 Billion
- ▶ 10. The Canada Summer Jobs program: employers can receive up to 100% of min. wages paid to employees (15-30 years old) for 70,000 jobs.



# CERB(Canada Emergency Response Benefit)

- ▶ 1. \$2,000 flat per month, for max 4 months (3/15-4/11, 4/12-5-/9, 5/10-6/6, 6/7-7/4)
- ▶ 2. can apply during March 15 to Oct. 3, 2020, apply Through CRA “MY ACCOUNT”, must declare your condition Bi-weekly to government to continue to be eligible. Portal is ready Since April 6.
- ▶ 3. must resident in Canada and over 15 years old; must have **>=\$5,000 salary** or self employment income or under maternity leave or parental leave for Y2019 or past 12 months. (ps. CRA 4/6 said non-eligible dividends also can be counted into \$5K)
  - ▶ you are or expect to be without employment or self employment or earn lesser than **\$1,000 per month** ; for at least 14 consecutive days in the initial 4-week period due to:
    - ▶ 1) lost jobs
    - ▶ 2) sick;
    - ▶ 3) quarantined
    - ▶ 4) Take care of someone who is sick with COVID-19
    - ▶ 5) working parents has to stay home due to kids daycare closure
- ▶ 4. **new rules includes : people earn lesser than \$1,000 a month part time jobs; or working in long term care facility, earn lesser than \$2,500 per month. (due to the crisis in Quebec senior homes)**

## CERB vs EI:

- ▶ Canadians who became eligible for EI before **March 15**, will receive EI. If they became eligible for EI on or after March 15, they'll be automatically enrolled in the CERB.
- ▶ People can not received both EI and CERB. **ONLY ONE.**

# CERB update :

- ▶ Up to 4/24, there is about 7 Million people applied CERB.
- ▶ They will then be paid \$1,000 every two weeks based on **their Biweekly reports** submitted; or \$2,000 per month.
- ▶ Some might received double, due to as **an advance of** weeks to be paid later on in their claim.

## EI vs CERB (3/15 will rollover to CERB)

|                | EI  | CERB  |
|----------------|---|---|
| MAX weekly pay | \$573 (55% of avg pay) ; EI maternity up to 15 weeks; EI Standard Parental up to 35 weeks each one parent. EI extended Parental up to 61 weeks as 33% of pay for one parent | \$500 (must have at least \$5,000 work income for past 12 months or Y2019) Up to 16 weeks |
| Leave Code =A  | Lay off due to shortage of works  |   |
| Leave code =D  | Sick or quarantine (illness or injury)  |   |
| Leave code =N  | Refused to work due to COVID-19 or due to childcare close (leave of Absence”  |   |

# CEBA Loan (Canada Emergency Business Account)

- ▶ Including Corp. Ltd. and Sole proprietors.
- ▶ Each entity can apply 40,000 loan. Business only has to prove their payroll size in 2019 is **between \$20K to \$1.5M** to get eligible. Must submit their 2019 T4 summary gross payroll \$.
- ▶ **If 2019 total payroll is lesser than \$20,000, Business also can apply but need to prove their eligible non-deferrable expenses (for example: rent, property tax, insurance and utility...), is between \$40K to \$1.5 Million.**
- ▶ Interests free to 12/31/2022
- ▶ No need to pay back monthly. But just pay back before 12/31/2022.
- ▶ If Pay back before 12/31/2022, will result in loan forgiveness of 25%=\$10K
- ▶ If can not pay back before 12/31/2022, can sign a new 3 years term at interests rate 5%
- ▶ Apply from your bank's website , NOT CRA.

# CEWS (Canada Emergency Wage Subsidy) for 75% payroll subsidy)—\$75 Billion budget

- ▶ 1. Period cover only 12 weeks (3 months) **3/15~8/29**, 2020. apply from CRA My Business payroll account.
- ▶ 2. Qualified business: Individual business, partnership, taxable Corp, Non-for-profit org, Charity, all size of business
- ▶ 3. 75% of payroll PAID can be subsidy, exclude severance pay, stock option, & taxable benefit. Your payroll can not higher than pre-crisis level. **Non-arm-length employees (basically means owners and their family members) must already within payroll 1) from 1/1 to 3/15 and 2) have eligible remuneration of 14 days or more consecutive days in the claim period.**
- ▶ 4. Payroll subsidy to each employee is up **lesser** of **MAX \$847/week** or **75%** of the employee's pre-crisis weekly remuneration. The pre-crisis remuneration for a given employee is based on the average weekly remuneration paid between **January 1** and **March 15** inclusively, excluding any seven-day periods in respect of which the employee did not receive remuneration.
- ▶ 5. **Business that see a drop of at least 15% of their revenue in March 2020 and 30% drop in April & May.**
- ▶ 6. apply period: 3/15-4/11; 4/12-5/9; 5/10-6/6 , extended to 8/29
- ▶ 7. this subsidy will become taxable income for business
- ▶ 9. For eligible business, government also will subsidy 100% of employer contribution for CPP and EI in source deduction payable.
- ▶ 10. Set up My Business Account and set up Direct Deposit bank account.

# CEWS—How to compare revenue drops?

- ▶ Compare March, April and May 2020 revenues to revenues from those same months in 2019; OR
- ▶ Compare March, April and May 2020 revenues to the average revenues of January and February of 2020.
- ▶ Business must state how revenues are to be calculated using either accrual or cash method.
- ▶ Penalty including **25% of** subsidy and even imprisonment in case of fraudulent claims.

# CEWS (Canada Emergency Wage Subsidy)

## Example of how to calculate revenue drop

- ▶ ABC Inc. is a small business. It reported revenue of \$100,000 in Jan., and \$140,000 in Feb. Two months average revenue is \$120,000. In March, its revenue dropped to \$90,000. Because March revenue is 25% drop of average Jan. and Feb, so, ABC Inc. will be eligible for the CEWS for the first and second claiming period, 3/15 ~4/11, and 4/12~5/9. (\*Revenue drop 15% will be eligible for March)
- ▶ To be continue to be eligible for the third period (5/10~6/6), ABC Inc. would have to be \$84,000 or less for the month of April or May (that is , 30% lower than \$120,000 avg of Jan. and Feb)



# 100% Refund for Employer-paid EI & CPP for eligible employees

CRA expanded the CEWS by introducing a new 100% refund for certain employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan. This refund covers 100% of employer-paid contributions for eligible employees for each week throughout which those employees are on leave with pay and for which the employer is eligible to claim for the CEWS for those employees.

- ▶ In general, an employee is considered to be on leave with pay throughout a week if that employee is remunerated by the employer for that week but does not perform any work for the employer in that week. **This refund is not be available for eligible employees that are on leave with pay for only a portion of a week.**
- ▶ This refund is not subject to the weekly maximum benefit per employee of \$847 that an eligible employer may claim in respect of the CEWS. There is no overall limit on the refund amount that an eligible employer may claim.
- ▶ For greater certainty, employers are required to continue to collect and remit employer and employee contributions to each program as usual. Eligible employers apply for a refund, as described above, at the same time that they apply for the CEWS.

# Reduced work hours with joint agreement:

- ▶ **Interaction with the Work-Sharing Program**
- ▶ On March 18, 2020, the Prime Minister announced an extension of the maximum duration of the Work-Sharing program from 38 weeks to 76 weeks for employers affected by COVID-19. This measure provides income support to employees eligible for Employment Insurance who agree to reduce their normal working hours because of developments beyond the control of their employers.
- ▶ For employers and employees that are participating in a Work-Sharing program, EI benefits received by employees through the Work-Sharing program reduce the benefit that their employer is entitled to receive under the CEWS.

# Example of how the 75% subsidy works:

- ▶ **How employers benefit from the CEWS**
- ▶ Maude and Stéphane own a corporation that operates an automobile repair shop in Saint Boniface, Manitoba. They are working full time, each drawing a salary of \$1,300 per week, and have three part-time employees, each earning \$800 per week, for a total weekly payroll of \$5,000. Maude and Stéphane have reduced their opening hours due to decreased demand for their services. They had initially laid off their employees, but they have now decided to re-hire them following the announcement of the Canada Emergency Wage Subsidy. Their employees are not being asked to report to work during this challenging period.
- ▶ Maude and Stéphane are now keeping their employees on the payroll, paying them 75% of their pre-crisis salary (\$600 per week). Maude and Stéphane would be eligible for a weekly wage subsidy of \$3,494 (\$847 for each of themselves and \$600 for each of their employees). Maude and Stéphane would also be eligible for a 100-per-cent refund of their employer-paid contributions to Employment Insurance and the Canada Pension Plan in respect of their employees, providing an additional benefit of up to \$124 per week.

# TWS (Temporary Wage Subsidy)

- ▶ 1. Period cover: March 18 to June 20, 2020
- ▶ 2. for organization revenue not drop up to 30%, can appl this program
- ▶ 3. For small business, NOT for big Corp capital assets  $\geq$ \$15 M
- ▶ 4. during cover period, max subsidy is per staff \$1,375, and per employer \$25,000.
- ▶ 5. can direct deduct from your source deduction as credit ; or if not use, can apply fund.
- ▶ 6. Corp. may apply both CEWS and TWS, but government will reduce TWS amount from your CEWS subsidy. Mean,: you can not have both.

# CECRA (Canada Emergency Commercial Rent Assistance ) 1/2

- ▶ Canada Mortgage and Housing Corporation (CMHC) will administer and deliver the CECRA to small businesses, and it is expected that the program will be operational by mid-May. Cover period is 3 months for April to June 2020.  
Apply deadline 8/31.
- ▶ The forgivable loans would be disbursed directly to the landlord's mortgage lender. If landlord has no mortgage, other program options maybe available.
- ▶ eligible criteria:
  - ▶ 1 Tenant business temporarily ceased operations or experienced Revenue **at least dropped 70%** compared to pre-COVID-19 revenue. (same months last year, or average of Jan .and Feb. of 2020)
  - ▶ 2. tenant are paying less than **\$50,000** per month in rent per location,
  - ▶ 3. tenant **generate no more than \$20 million in gross annual revenue**, on consolidated basis.

# CECRA (Canada Emergency Commercial Rent Assistance ) 2/2

- ▶ If landlord is willing to sign a rent forgiveness agreement to lower rent by at least 75% and also include a term not to evict the tenants from April to June 2020.
- ▶ each party then covers the following portion:
  - ▶ the owner cover 25% (forgive rent)
  - ▶ tenant pay 25%
  - ▶ Federal and Provincial government will share the rest of **50%** (federal 75% vs provincial 25%) as forgivable loans to qualifying commercial property owners .

# BCAP (Business Credit Availability Program ) ( up to \$6.25M loan for small to mid-size business)

- ▶ It is a co-lending program for Small Business Enterprises
  - ▶ 1. Apply through Export Development Canada (EDC) &
  - ▶ 2. Business Development Bank of Canada (BDC)
- ▶ **Two apply criteria:**
  - ▶ 1. Financially Viable (可存活的/可行性的)
  - ▶ 2. revenue generating prior to the Covid-19 (not just start-up)
- ▶ Total budget is \$65 Billion
- ▶ Both are financial Crown Corporations.
- ▶ BCAP is supervised by the department of Finance.
- ▶ Must contact the program lenders directly , NOT through CRA.

# EDC (Export Development Canada)

- ▶ EDC: apply criteria:
  - ▶ Focus on assisting Exporting industry
  - ▶ money is to be used **only** for “**operational expenses**”, **NOT** for dividend payout, shareholder loans, bonus , stock buyback, option insurance, increase to executive compensation, or repay/refinance of other debts.
  - ▶ 4. Contact: 1-800-229-0575



# BDC (Business Development Bank of Canada)

Apply Contact: 1-877-232-2269

New loan not limit to area as EDC only limited to “operational expenses”,  
you can use in any areas.

- ▶ The program is designed in three segments to target support to different business size to get loan:
- ▶ 1. up to \$312,500 to business with revenue of less than \$1 M
- ▶ 2. up to \$3.125 million for business with Revenue \$1M to \$50M
- ▶ 3. up to \$6.250 million for business with Revenue in excess of \$50M

# Corporate Tax deferral

- ▶ Corporate tax filing due date is not deferred. Same as within 6 months of fiscal year end. However,
- ▶ Tax payment due if is after 3/18, then all extended to 9/30
- ▶ GST and Custom pay , deferred to 6/30

# Conclusion:

- ▶ This is a emergency government effort to stimulate business and help individual to avoid great recession after end of COVID-19.
- ▶ Central bank Basic Interest rate is in historical low as only 0.25%
- ▶ You have to think what subsidy programs you can apply and get it
- ▶ Hope nobody will suffer during this COVID-19 and economic will soon be resumed back to normal in June 2020.
- ▶ Keep healthy, keep optimistic, you will survive !

# Questions ?

## BCSUN & Associates Inc.

- ▶ [www.BCSUN.ca](http://www.BCSUN.ca)
- ▶ TEL: 604-270.4610
- ▶ #708-6081 NO.3 Road, Richmond, BC, V6Y 2B2