

## Special Report – COVID-19: Government Tax Relief and Other Measures

Current as of March 31, 2021. Please note that the Federal Government is announcing enhancements to their relief measures on a regular basis.

This Special Report highlights the key Federal Government announcements, as well as IG Wealth Management mortgage and banking measures that will be of interest to our clients.

### Measures Impacting Individuals

#### CANADA EMERGENCY RESPONSE BENEFIT

- The Canada Emergency Response Benefit (CERB) provided a taxable benefit of \$2,000 per four-week period for workers who lost their income as a result of COVID-19. The CERB was paid every four weeks and was originally available for up to 16 weeks between the period from March 15, 2020 until October 3, 2020. In June the program was extended to 24 weeks, with an additional 4 weeks of benefits announced on August 20, 2020. Eligible individuals can apply no later than December 2, 2020, for retroactive payments.
- The CERB applied to wage earners, as well as to contract workers and self-employed individuals who would not otherwise qualify for Employment Insurance (EI). The CERB provided income support to individuals who:
  - live in Canada and are at least 15 years old
  - stopped working because of reasons related to COVID-19, are eligible for EI regular or sickness benefits or have exhausted their EI regular or fishing benefits between December 29, 2019 and October 3, 2020
  - had employment income, self-employment income, or provincial or federal benefits related to maternity or parental leave of at least \$5,000 in 2019 or in the 12 months prior to the date of their application, and
  - have not quit their job voluntarily
- The CERB was expanded on April 15, 2020, allowing persons to earn up to \$1,000, per eligible period, of employment income, self-employment income (net of expenses), non-eligible dividends, royalties, or a combination thereof and still be eligible to apply for the CERB. To get the CERB, an individual may have not earned more than \$1,000 for a period of at least 14 consecutive days within the initial four-week period of their claim or \$1,000 during the four-week benefit period of each subsequent claim. Additionally, seasonal workers who have exhausted their EI benefits and were unable to undertake their regular seasonal work because of COVID-19 may have also applied for the CERB.
- For clarity regarding the \$5,000 income test noted above, income can be from any of the following sources (or a combination thereof): employment, self-employment (net of expenses), and non-eligible dividends. If an individual is not eligible for EI, maternity/paternal benefits under the EI program and/or similar benefits paid in Quebec under the Quebec Parental Insurance Plan can count toward the \$5,000 requirement.
- An individual was only eligible for the CERB if in a claim period the individual earned \$1,000 or less of income (as discussed above) within the four-week benefit claim period. If an employee was subsequently rehired, they may have had to repay CERB benefits for the claim period if, as a result, they had earned more than \$1,000 from employment, etc.

How to apply

- Application for the CERB was through a [secure online portal](#). Individuals who were employed full-time, for at least four months, or part-time, for at least eight months, in 2019 were processed through Service Canada and the Employment Insurance Program. All other individuals were directed to apply through the Canada Revenue Agency.
- Individuals who stopped work prior to March 15, 2020 and who were eligible for EI regular or sickness benefits should have applied for EI and should not applied for the CERB. If EI benefits ended prior to October 3, 2020, these individuals could have applied for the CERB once their EI benefits ceased if they are unable to return to work due to COVID-19.
- Individuals who stopped work on or after March 15 should have applied for the CERB. Individuals who stopped work on or after March 15 and who applied for EI would have been automatically enrolled for the CERB. If still unemployed after the 28-week period covered by the CERB, workers who are eligible for EI regular and sickness benefits will be able to access EI benefits at that time, CERB payments do not affect EI entitlements.

#### Return or repay a payment

- A CERB payment may be received in error, due to factors such as no longer being eligible or receiving duplicate payments as a result of applying for CERB twice in one period.
- If a payment needs to be returned, it can be done so through CRA, regardless of whether the CERB was applied for with Service Canada or CRA.
- More information can be found [here](#).

To learn more about CERB, [click here](#)

Individuals who have received their maximum CERB benefits, and received those benefits through Service Canada, will be transitioned to the EI program if they are EI eligible and continue to need income support.

Individuals who received the CERB from the CRA but believe they are entitled to EI will need to apply through Service Canada after September 26, 2020.

#### EMPLOYMENT INSURANCE CHANGES & NEW RECOVERY BENEFITS

Temporary changes were made to the EI program effective September 27, 2020. EI was expanded to include persons who would not have qualified for EI previously. The minimum EI benefit will be \$500 per week, or \$300 per week for extended parental benefits, and regular benefits will be accessible for a minimum duration of 26 weeks. Several temporary measures have been implemented in order to enhance access to EI regular and special benefits such as a minimum unemployment rate, a one-time insurable hours credit, and lowering the minimum number of insured hours. EI benefits continue to be taxable. Additionally, EI premium rates will be frozen for two years.

In addition to the changes to EI, new recovery benefits are now available for those who are not eligible for EI benefits but who are still adversely impacted by COVID-19:

#### Canada Recovery Benefit (CRB)

- Provides a taxable \$500 per week benefit for up to 26 weeks to workers who are either self-employed or are employed but not eligible for EI. Benefit is to help those who are under-employed or have not returned to work due to COVID-19.
- Application is for a specific two-week period, each period must be **applied for separately** as there is no automatic renewal. A maximum of 13 periods can be applied for, these periods do not have to be taken consecutively. As the benefit is for a two-week period, you must meet all of the criteria for the CRB for

the entire two-week period. Application for the CRB would be available the **first Monday after** the particular two-week period has ended. Application for benefits can be applied for retroactively for any period up to 60 days after that period has ended. The benefit received once the application is processed would be \$1,000 (less \$100 taxes withheld).

- Under-employed is defined as having a 50% reduction in your average weekly income compared to the previous year due to COVID-19. The 50% reduction will be based on an individual's average weekly employment and/or self-employment income (net of expenses) from either 2019, 2020, or the previous 12 months. This test would be determined each time the CRB is applied for. Self-employment income, net of expenses, includes tips, non-eligible dividends, honoraria, and royalties. It does not include pensions, student loans/bursaries, maternal/parental EI or similar QPIP benefits, or any Canada COVID-19 benefits. Example to determine the 50% reduction: 2019 income of \$26,000 results in a \$500 average weekly income in 2019. A 50% reduction would equal income of \$250 or less per week. As such, if the individual was currently earning \$150 a week, they would meet the 50% reduction criteria.
- Other criteria:
  - Must not be eligible for EI,
  - Must reside and be present in Canada during the period being applied for,
  - Must be at least 15 years old and have a valid Social Insurance Number,
  - Had employment income, self-employment income (net of expenses, includes tips, non-eligible dividends, honoraria, and royalties), maternity/paternal benefits under the EI program and/or similar benefits paid in Quebec under the QPIP, of at least \$5,000 in 2019 or in the 12-month period preceding the date of application,
  - Have not quit their job or reduced their hours voluntarily, unless it was reasonable to do so, and
  - Must not have applied for or received the Canada Recovery Sickness Benefit, the Canada Recovery Caregiving Benefit, short-term disability benefits, workers' compensation benefits, or any EI benefits or Quebec Parental Insurance Plan benefits in respect of the same two-week period.
- Individuals cannot turn down reasonable work during the two-week period they are applying for. Those who apply for CRB must be available and looking for work.
- Claimants will be able to earn income while receiving the benefit, however, repayment of the benefit is required if the individual's annual net income (excluding the benefit) is over \$38,000. \$0.50 of benefit must be repaid for every dollar earned over \$38,000.
- The benefit is taxable and a T4A will be issued for the tax year in which the benefit was received.

#### Return or repay a payment

- A CRB payment may be received in error, due to factors such as no longer being eligible or receiving another benefit in the same period.
- If a payment needs to be returned, it can be done so through CRA.
- More information can be found [here](#).

To apply for the CRB click [here](#).

#### Canada Recovery Sickness Benefit (CRSB)

- Will provide a taxable \$500 per week benefit (\$450 after taxes withheld) for up to 2 weeks to workers who are: sick with COVID-19, must self-isolate for reasons related to COVID-19, or have an underlying health condition that puts them at a greater risk of getting COVID-19.
- Other criteria:
  - Must reside and be present in Canada during the period being applied for,
  - Must be at least 15 years old and have a valid Social Insurance Number,

- Must have earned employment income, self-employment income (net of expenses, includes tips, non-eligible dividends, honoraria, and royalties) , maternity/paternal benefits under the EI program and/or similar benefits paid in Quebec under the QPIP, of at least \$5,000 in 2019, 2020, or in the 12-month period preceding the date of application,
  - Must have been unable to work for at least 50% of normally scheduled work within a given week,
  - Must not be in receipt of paid leave from employer in respect of the same week, and
  - Must not be in receipt of the Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, short-term disability benefits, workers' compensation benefits, or any EI benefits or Quebec PIP benefits in respect of the same week.
- Application is for a specific one-week period, each period must be **applied for separately** as there is no automatic renewal. A maximum of 2 periods can be applied for, these periods do not have to be taken consecutively. Application for the CRSB would be available the **first Monday after** the one-week period has ended. Application for benefits can be applied for retroactively for any period up to 60 days after that period has ended.
  - The benefit is taxable and a T4A will be issued for the tax year in which the benefit was received.

#### Return or repay a payment

- A CRSB payment may be received in error, due to factors such as no longer being eligible or receiving another benefit in the same period.
- If a payment needs to be returned, it can be done so through CRA.
- More information can be found [here](#).

To apply for the CRSB click [here](#).

#### Canada Recovery Caregiver Benefit (CRCB)

- Provides a taxable \$500 per week benefit for up to 26 weeks, per household, for eligible Canadians who are unable to work due to caring for:
  - a child under age 12 due to school or daycare closures because of COVID-19,
  - a family member with a disability or a dependent because of the closure of their day program or care facility due to COVID-19, or
  - a child, a family member with a disability, or a dependent who is not attending school, daycare, or other care facilities due to being sick with COVID-19 or has symptoms of COVID-19, self-isolating due to COVID-19, or is at high risk if they contract COVID-19 (must be under the advice of a medical professional).
- Other criteria:
  - Must reside and be present in Canada during the period being applied for,
  - Must be at least 15 years old and have a valid Social Insurance Number,
  - Must have earned employment income, self-employment income (net of expenses, includes tips, non-eligible dividends, honoraria, and royalties) , maternity/paternal benefits under the EI program and/or similar benefits paid in Quebec under the QPIP, of at least \$5,000 in 2019, 2020, or in the 12-month period preceding the date of application,
  - Must have been unable to work for at least 50% of normally scheduled work within a given week due to caring for persons noted above,
  - Must not be in receipt of paid leave from employer in respect of the same week, and
  - Must not be in receipt of the Canada Recovery Benefit, the Canada Recovery Sickness Benefit, short-term disability benefits, workers' compensation benefits, or any EI benefits or Quebec Parental Insurance Plan benefits in respect of the same week.

- Application is for a specific one-week period, each period must be **applied for separately** as there is no automatic renewal. A maximum of 26 periods can be applied for, these periods do not have to be taken consecutively. Application for the CRCB would be available the **first Monday after** the one-week period has ended. Application for benefits can be applied for retroactively for any period up to 60 days after that period has ended. Only one application per household is available.
- The benefit is taxable and a T4A will be issued for the tax year in which the benefit was received.

#### Return or repay a payment

- A CRCB payment may be received in error, due to factors such as no longer being eligible or receiving another benefit in the same period.
- If a payment needs to be returned, it can be done so through CRA.
- More information can be found [here](#).

To apply for the CRCB click [here](#).

#### HOME OFFICE EXPENSES DEDUCTION

For 2020 only, employees will be able to claim the home office expenses deduction if they worked from home more than 50% of the time over a period of at least four consecutive weeks, due to COVID-19 or the employer requiring the employee to work from home.

A new temporary flat rate method allows eligible employees to claim a deduction of \$2 for each day worked at home in that period, plus any other days worked at home in 2020, due to COVID-19 up to a maximum of \$400. The new method does not require the employee to obtain a completed T2200 or T2200S from their employer. Form T777S will need to be included with the employee's personal T1 income tax return, the flat rate method is claimed under Option 1 on this form. Documents to support the claim made under Option 1 are not required to be kept.

If an employee wishes to claim more than \$400 worth of expenses they incurred as a result of working from home, they'll need to claim under the detailed method. The detailed method is claimed on Form T777S under Option 2. The detailed method requires the employer to complete Form T2200S or T2200 and the employee will be required to keep supporting documents. The CRA has created a calculator to help determine the home office expense deduction an employee may be entitled to [here](#). Under the detailed method, several factors affect the expenses available for claim including size of home and work space, types of work spaces, and hours per week the space is used for work. Click [here](#) for more information on the detailed method. Note, for employees wishing to claim for other employment expenses, such as motor vehicle expenses, they will need to use the traditional Form T777.

#### GOODS AND SERVICES TAX CREDIT

For low and modest-income families, the Government provided a one-time special payment in early April 2020 doubling the maximum annual Goods and Services Tax credit payment amounts for the 2019-20 benefit year. There was no need to apply for this payment. Eligible individuals received it automatically.

#### ONE TIME PAYMENT FOR SENIORS

For seniors, the Government provided a one-time tax-free payment of \$300 for those eligible for Old Age Security (OAS) pension. An additional \$200 was paid for those seniors eligible for the Guaranteed Income Supplement (GIS). There was no need to apply for this payment. Eligible individuals received it automatically during the week of July 6, 2020. As this payment is tax-free, the amount will not be reported on a tax slip.

Additionally, GIS payments will continue for seniors so long as they file their 2019 income information no later than October 1, 2020.

#### ONE TIME PAYMENT FOR DISABILITY TAX CREDIT CERTIFICATE HOLDERS

The Government will provide a one-time tax-free payment of up to \$600 for individuals who are certificate holders of the Disability Tax Credit (DTC). Also, eligible persons who apply for the DTC up until September 25, 2020, will be considered for the one-time payment. For those persons also eligible for the one-time OAS payment, the payment will be reduced to \$300. For those eligible for the one-time OAS and GIS payments, the payment will be reduced to \$100. There is no need to apply for this payment. Eligible individuals will receive it automatically. The one-time payment extended to include persons with disabilities who, as of July 1, 2020, are beneficiaries of Canada Pension Plan Disability benefits, Quebec Pension Plan Disability benefits, or one of the disability supports provided by Veterans Affairs Canada. Payments were made starting October 30, 2020. As this payment is tax-free, the amount will not be reported on a tax slip.

#### TEMPORARY WAGE TOP-UP FOR LOW-INCOME ESSENTIAL WORKERS

Up to \$3 billion will be made available to increase the wages of low-income essential workers. Each province and territory will determine which workers will be eligible for support, and how much support they will receive.

#### CANADA CHILD BENEFIT

As announced on November 30, 2020, the government is proposing to provide four additional payments to families entitled to the Canada Child Benefit (CCB). The payments for 2021 are proposed based on the income thresholds under the normal CCB rules:

- \$300 per child under the age of six to families with family net income equal to or less than \$120,000
- \$150 per child under the age of six to families with family net income above \$120,000

For new applications [click here](#).

#### SUPPORT FOR STUDENTS

The *Canada Emergency Student Benefit (CESB)* provided eligible students with \$1,250 per four-week period. This amount increased to \$2,000 per four-week period for eligible students who are disabled or have dependents. A dependent for this program was defined as a child who is under 12 years old or a person with a disability either of whom is completely dependent on the student or the student's spouse/common-law partner for support, care, and upbringing. The CESB was available from May 10 to August 29, 2020. Applications for the program closed on September 30, 2020. The CESB is taxable and a T4A was issued for the 2020 tax year.

Changes have also been made to the Canada Student Loan Program's eligibility requirements in 2020-21 to allow more students to qualify for the program and to be eligible for greater amounts, including doubling the non-repayable Canada Student Grants for full and part time students, for students with disabilities and for students with dependents.

To learn more about all of the programs available to assist students click [here](#).

## Mortgages and Banking Measures

## STUDENT LOANS

The government intends to eliminate the interest owing on the repayment of the federal portion of the Canada Student Loans and Canada Apprentice Loans for 2021-2022.

## MORTGAGES AND OTHER CREDIT RELIEF

- Canada Mortgage and Housing Corporation (CMHC) is providing increased flexibility for homeowners facing financial difficulties to defer mortgage payments on homeowner CMHC-insured mortgage loans. CMHC will permit lenders to allow payment deferral beginning immediately.
- Through Canada's large banks, a deferral of up to six months for mortgage payments and possible relief on other credit products may be available.

## IG WEALTH MANAGEMENT MORTGAGE AND SOLUTIONS BANKING CLIENT SUPPORT

IG Wealth Management and our partners at Solutions Banking continue to support clients directly affected by the global Coronavirus outbreak:

IG Wealth Management mortgage clients

IG Wealth Management's Homeowner Assistance program is available to support measures to qualifying clients. It is our commitment to work with clients who may be experiencing financial hardship and find the right personalized solution, on a case-by-case basis, that is best suited to their individual needs.

Contact us

For questions or concerns, clients may contact the Mortgage Contact Centre, open Monday to Friday, 8:00 a.m. to 5:00 p.m. (CST) through one of the following contact methods:

- By telephone at 1-800-328-6488
- By e-mail at [Mortgage.service.centre@ig.ca](mailto:Mortgage.service.centre@ig.ca)

Solutions Banking clients

Solutions Banking clients who are directly affected by COVID 19 and may have difficulty making their payments could be eligible for special measures. Affected clients may contact a Solutions Banking representative to work through a personalized solution or alternate financing options, on a case by case basis, depending on their personal situation.

Contact us

Clients may contact a Solutions Banking representative at 1-877-999-7575, Monday to Friday from 7:00 a.m. to 10:00 p.m. (EST) or weekends from 8:00 a.m. to 8:00 p.m (EST).

## Measures Impacting Businesses

### CANADA EMERGENCY WAGE SUBSIDY

The Canada Emergency Wage Subsidy (CEWS) covers a percentage of wages paid by eligible employers up to a weekly maximum subsidy per employee. On July 17, 2020, the program was expanded for the 40-week period of March 15 to December 19, 2020. On November 19, 2020, the government passed legislation to expand the program until June 5, 2021. 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 includes salary, wages, and other remuneration but does 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. As of May 15, 2020, the program was expanded to include partnerships with one or more non-eligible members, indigenous government-owned businesses, registered Canadian amateur athletic associations, registered journalism organizations, and non-public educational and training institutions. This change is being applied retroactively such that it applies from March 15, 2020 through the duration of the program.

### **Rules in Effect for Claim Periods from March 15 – July 4, 2020**

To receive the subsidy during March 15 through July 4, 2020, a business must have experienced a decrease in revenue of at least 15% in March and a decline of 30% in April, May, or June 2020. To make this comparison, a business had the choice of comparing their revenue from March, April, May, and June 2020 to either:

- the same month last year, or
- an average of revenue earned in January and February 2020

Revenues, for this purpose, will consist of revenue from its business carried on in Canada from arm's length sources. Employers are permitted to calculate their revenues under either the cash basis or the accrual basis. If an employer elects to use the cash basis method over the accrual method, they are required to use the same method for the duration of March 15 through July 4, 2020.

Once an employer meets the decline in revenue test for one period, they automatically qualify for the next period of the program. For example, if an employer meets the 15% criteria for March, then they would qualify for the March and April periods of the program.

How was the CEWS Calculated During the Periods from March 15 to July 4?

The subsidy on eligible remuneration paid to a given employee for work performed between March 15 and July 4, 2020 would be the greater of:

- 75% 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% of the employee's pre-crisis weekly remuneration, whichever is less.

As a result, employers could have been eligible for a subsidy of up to 100% of the first 75% of pre-crisis wages or salaries of existing employees. These employers would be expected, where possible, to maintain existing employees' pre-crisis employment earnings.

A special rule applied to employees that do not deal at arm's length with the employer. The subsidy amount for such employees is limited to the lesser of eligible remuneration paid in respect of any week in a qualifying period, up to a maximum benefit of \$847 per week, or 75% of the employee's pre-crisis weekly remuneration.

As announced on May 15, 2020, the baseline remuneration calculation was legislatively amended, retroactive to April 11, 2020. As a result of the amendment, employers would be able to calculate the baseline remuneration as the average weekly remuneration paid to the employee from January 1 to March 15, 2020, or alternatively, as the average weekly remuneration paid from March 1 to May 31 of 2019. Employers would be able to choose which



period to use on an employee-by-employee basis. The change was meant to capture those employees who did not have a baseline remuneration from January 1 to March 15 due to either being a seasonal employee or an employee who was on parental, disability, or unpaid leave from January 1 to March 15, 2020. For Period 4, the baseline remuneration of an employee would be based on the average weekly remuneration paid to the employee from January 1 to March 15, 2020; from March 1, 2019 to May 31, 2019; or from March 1, 2019 to June 30, 2019.

Employers cannot claim the Canada Emergency Wage Subsidy for remuneration paid to an employee for a claim period in which the employee was without remuneration for 14 consecutive days.

#### Refund for certain payroll contributions

- Employers eligible for the CEWS are entitled to receive a 100% refund for employer contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan for each week an employee was on leave with pay. An employee will be considered to be on leave with pay throughout a week if the employer pays the employee for the week, but the employee does not do any work for the employer during that week.

#### Rules in Effect for Claim Periods from July 5 to December 19, 2020

On July 17, 2020, the government announced the CEWS would be changed as of July 5, 2020, in order to try to assist businesses that previously may not have qualified for the CEWS program due to revenue declines of less than 30%. As a result, for claim periods July 5, 2020, onward, two rates now comprise the CEWS, the first being a base rate and the second is a top-up rate (designed to help businesses that were more greatly affected).

The Base CEWS is available for all businesses that have experienced a decline in revenues, the amount of the subsidy will vary according to the amount of revenue decline experienced.

#### Rate Structure of Base CEWS

	Period 5*: July 5 – Aug 1	Period 6*: Aug 2 – Aug 29	Period 7: Aug 30 – Sep 26	Period 8: Sep 27 – Oct 24	Period 9: Oct 25 – Nov 21	Period 10: Nov 22 – Dec 19
Maximum weekly benefit per employee	Up to \$677 e.g., (\$1,129 x 60% = \$667)	Up to \$677	Up to \$565	Up to \$452	Up to \$452	Up to \$452
<b>Revenue Drop</b>						
50% and over	60%	60%	50%	40%	40%	40%
0% to 49%	1.2 x revenue drop (e.g., 1.2 x 20% revenue drop = 24%	1.2 x revenue drop (e.g., 1.2 x 20% revenue drop = 24% base CEWS rate)	1 x revenue drop (e.g., 1 x 20% revenue drop = 20% base CEWS rate)	0.8 x revenue drop (e.g., 0.8 x 20% revenue drop = 16% base CEWS rate)	0.8 x revenue drop (e.g., 0.8 x 20% revenue drop = 16% base CEWS rate)	0.8 x revenue drop (e.g., 0.8 x 20% revenue drop = 16% base CEWS rate)

	base CEWS rate)					
<i>*In periods 5 and 6 employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75% wage subsidy if they have a revenue decline of 30% or more (see Safe Harbour rule below).</i>						

Revenue declines would be determined based on a comparison of the current month’s revenue to the same month last year or last month’s revenue compared to the same month last year. An alternative comparison is available that is helpful for businesses that do not have a prior year comparison. The alternative approach is to compare the current or prior month’s revenue to the average revenue earned in January and February 2020. Once a comparison option is chosen in period 5, it must be followed throughout the remainder of the program, however, the comparison option chosen can differ from the one utilized in periods 1 through 4.

#### Top-up Subsidy for Periods 5 through 7

A top-up CEWS of up to 25% was available to employers who have experienced a 3-month average revenue drop of more than 50%. The top-up rate was 1.25 times the average revenue drop that exceeded 50%, up to a maximum top-up rate of 25%, which was attained at a 70% revenue decline. For example, an average 3-month revenue drop of 65% will result in a top-up CEWS of  $1.25 \times (65\% - 50\%) = 18.75\%$ .

The top-up rate was determined by the revenue drop experienced when comparing revenues in the preceding 3 months to the same months in the prior year. Alternatively, the average monthly revenue in the preceding 3 months was compared to the average monthly revenue in January and February 2020. When choosing the general or alternative approach, it is key to remember the same approach must be chosen for the base CEWS and must be used throughout the remainder of the program.

#### Example:

- Employer had \$600,000 in revenue between April 1 and June 30, 2019, and only \$210,000 of revenue between April 1, and June 30, 2020, the employer would have a 3-month revenue drop of 65% for Period 5.
- Under the alternative approach, if an employer had \$400,000 in revenue between January 1 and February 29, 2020 (average monthly = \$200,000), and \$210,000 in revenue between April 1 and June 30, 2020 (average monthly = \$70,000), the employer would have a 3-month revenue drop of 65% for Period 5.

#### Combined CEWS Rate

Once the base and top-up subsidies are determined for each relevant period, they would be combined to determine the total CEWS available to the employer for the particular period. The following chart shows how this would apply in a scenario where the Top-up was determined to be a full 25%:

	Period 5*: July 5 – Aug 1	Period 6*: Aug 2 – Aug 29	Period 7: Aug 30 – Sep 26
Maximum weekly benefit per employee	Up to \$960 e.g., $(\$1,129 \times 85\% = \$960)$	Up to \$960	Up to \$847

Revenue Drop			
50% and over	85% (60% base CEWS + 25% top-up)	85% (60% base CEWS + 25% top-up)	75% (50% base CEWS + 25% top-up)
0% to 49%	1.2 x revenue drop + 25% (e.g., 1.2 x 20% revenue drop + 25% = 49% CEWS rate)	1.2 x revenue drop + 25% (e.g., 1.2 x 20% revenue drop + 25% = 49% CEWS rate)	1 x revenue drop + 25% (e.g., 1 x 20% revenue drop + 25% = 45% CEWS rate)
<i>*In periods 5 and 6 employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75% wage subsidy if they have a revenue decline of 30% or more (see Safe Harbour rule below).</i>			

#### Safe harbour rule for Periods 5 and 6

For Periods 5 and 6, an eligible employer was entitled to a CEWS rate not lower than the rate that they would be entitled to if their entitlement were calculated under the CEWS rules that were in place for Periods 1 to 4. As such, for Periods 5 and 6, employers with a revenue decline of 30% or more in the relevant reference period would have received a CEWS rate of at least 75% or potentially an even higher CEWS rate using the new rules outlined above (up to 85%).

#### Top-up Subsidy for Periods 8 through 10

Beginning September 27, 2020, onward, the revenue-decline test for the base subsidy and top-up subsidy was harmonized. This change was to ensure businesses who may have had strong summer revenues were not be penalized.

#### Combined CEWS Rate for Periods 8 through 10

	Period 8*: Sept 17 – Oct 24	Period 9*: Oct 25 – Nov 21	Period 10*: Nov 22 – Dec 19
Maximum weekly benefit per employee	Up to \$734 e.g., (\$1,129 x 65% = \$734)	Up to \$734	Up to \$734
<b>Revenue Drop</b>			
70% and over	40% base + 25% top-up = 65% CEWS	65%	65%
50% to 69%	40% + 1.25 x (revenue drop – 50%) (e.g., 40% + 1.25 x 60% revenue drop – 50%) = 52.5% CEWS rate	40% + 1.25 x (revenue drop – 50%) (e.g., 40% + 1.25 x 60% revenue drop – 50%) = 52.5% CEWS rate	40% + 1.25 x (revenue drop – 50%) (e.g., 40% + 1.25 x 60% revenue drop – 50%) = 52.5% CEWS rate
0% to 49%	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate

*\*see Safe Harbour rule below.*

Safe harbour rule for Periods 8 through 10

For Periods 8 through 10, an eligible employer was entitled to a CEWS rate not lower than the rate that they would be entitled to if their entitlement were calculated under the top-up CEWS rules that were in place for Periods 5 to 7. Under the safe harbor rule, the top-up subsidy would be determined based on the revenue drop experienced when comparing revenues in the preceding three months.

How was the CEWS Calculated During the Periods from July 5 to December 19?

The subsidy paid for a given employee between July 5 and December 19, 2020, depended on whether or not the employee was on leave with pay (i.e. furloughed) and the particular claim period, the subsidy amount was determined differently in Periods 5 and 6 than for Periods 7 through 10.

#### Periods 5 & 6 (Employee Not on Leave)

The subsidy was determined as:

Equal to greater of:

- A) An amount equal to:
  - a. Nil if the revenue reduction is less than 30%, and
  - b. In any other case, the greater of:
    - i. The least of: a) 75% of eligible remuneration paid, b) \$847, and c) if not dealing at arm's length, nil, and
    - ii. The least of: a) amount of eligible remuneration, b) 75% of baseline remuneration, and c) \$847, and
- B) The amount determined as:

Equal to  $(E+F) \times G$ , where:

- E) Base percentage
- F) Top-up percentage
- G) The least of: a) amount of eligible remuneration paid, b) \$1,129, and c) if the eligible employee does not deal at arm's length, the baseline remuneration determined for that week.

#### Period 7 through 10 (Employee Not on Leave)

The subsidy was determined as:

Equal to  $(E+F) \times G$ , where:

- E) Base percentage
- F) Top-up percentage
- G) The least of: a) amount of eligible remuneration paid, b) \$1,129, and c) if the eligible employee does not deal at arm's length, the baseline remuneration determined for that week.

#### Eligible Employees

Beginning July 5, 2020, employees that are without remuneration in respect of 14 or more consecutive days in an eligibility period are no longer excluded from being eligible for CEWS.

#### Eligible Remuneration

Beginning in Period 7, for active arm’s length employees, the amount of remuneration would be based solely on actual remuneration paid, without reference to the baseline remuneration concept applicable in periods 1 through 6. For non-arm’s length employees, the subsidy will be based on the non-arm’s length employee’s eligible remuneration or baseline remuneration, whichever is less, up to a maximum of \$1,129. The subsidy is only available for non-arm’s length employees that were employed prior to March 16, 2020.

#### Baseline Remuneration

For Period 5 through 13, the baseline remuneration of an employee would be based on the average weekly remuneration paid to the employee from January 1 to March 15, 2020 or from July 1, 2019 to December 31, 2019. The calculation of average weekly remuneration would exclude any period of 7 or more consecutive days without remuneration. Employers can choose which baseline period to use on an employee-by-employee basis.

For employees returning from maternity leave, parental leave, caregiver leave, or long-term sick leave, that began before July 1, 2019, and ended after March 15, 2020, an eligible employer would be able to select, for periods 5 to 13, a special baseline remuneration period of the 90-day period ending immediately before the beginning of the employee’s leave period.

#### Employees on Leave with Pay

In Periods 5, 6, 7, and 8, for employees who are on leave with pay, i.e. furloughed, the subsidy available for these employees remained the same as it would have been determined for Periods 1 through 4. Beginning in Period 9, the subsidy was to be more aligned with the EI program.

The wage subsidy for a furloughed employee was the lesser of:

- The amount of the eligible remuneration paid in respect of the week; and
- The greater of:
  - \$500, and
  - 55% of the pre-crisis remuneration for the employee, up to a maximum subsidy of \$573

Similar to periods 1 through 4, Employers eligible for the CEWS are entitled to receive a 100% refund for employer contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan for each week an employee was on leave with pay.

#### Rules in Effect for Claim Periods 11 through 16

For periods 11 through 16, the CEWS program is generally a continuation of the rules in effect for Period 10. The base CEWS rate will remain at the Period 10 rate of 40%, however, the maximum top-up rate subsidy will increase to 35%. The top-up rate will be 1.75 times the average revenue drop that exceeds 50%, up to a maximum top-up rate of 35%. The revenue decline comparison option chosen for period 5 onward, must continue to be followed in periods 11 through 16.

#### Combined CEWS Rate for Periods 11 through 16

	Period 11: Dec 20 - Jan 16	Period 12: Jan 17 – Feb 13	Period 13: Feb 14 – Mar 13	Period 14: Mar 24 – Apr 10	Period 15: Apr 11 – May 8	Period 16: May 9 – June 5
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Maximum weekly benefit per employee	Up to \$847 e.g., (\$1,129 x 75% = \$847)	Up to \$847	Up to \$847	Up to \$847	Up to \$847	Up to \$847
Revenue Drop						
70% and over	40% base + 35% top-up = 75% CEWS	75%	75%	75%	75%	75%
50% to 69%	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate	40% + 1.75 x (revenue drop – 50%) (e.g., 40% + 1.75 x 60% revenue drop – 50%) = 57.5% CEWS rate
0% to 49%	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate	0.8 x revenue drop = CEWS rate

How is the CEWS Calculated During the Periods from December 20, 2020 to June 5, 2021?

The subsidy paid for a given employee between December 20, 2020, and June 5, 2021, will continue to depend on whether or not the employee is on leave with pay (i.e. furloughed).

Period 11 through 16 (Employee Not on Leave)

The subsidy will be determined as:

Equal to (E+F) x G, where:

- H) Base percentage
- I) Top-up percentage
- J) The least of: a) amount of eligible remuneration paid, b) \$1,129, and c) if the eligible employee does not deal at arm's length, the baseline remuneration determined for that week.

**Baseline Remuneration**

For Period 14 and subsequent periods, the baseline remuneration of an employee is based on the average weekly remuneration paid to the employee from January 1 to March 15, 2020 **or** from July 1, 2019 to December 31, 2019 **or** from March 1, 2019 to June 30, 2019. The calculation of average weekly remuneration would exclude any period of 7 or more consecutive days without remuneration. Employers can choose which baseline period to use on an employee-by-employee basis.

#### Employees on Leave with Pay

The wage subsidy for furloughed employees will be extended to June 5, 2021.

The wage subsidy for a furloughed employee for period 11 through 16 will be the lesser of:

- The amount of the eligible remuneration paid in respect of the week; and
- The greater of:
  - \$500, and
  - 55% of the pre-crisis remuneration for the employee, up to a maximum subsidy of \$595

#### Information Applicable for All Periods

##### Other important information

- Organizations that don't qualify for the Canada Emergency Wage Subsidy may have qualified for the temporary small business wage subsidy (TSBWS).
- For employers that are eligible for both the CEWS and the TSBWS for a period, any benefit received or anticipated to be received from the 10% wage subsidy (TSBWS), for remuneration paid in a specific period, reduced the amount available to be claimed under the CEWS in that same period.
- To be eligible for the subsidy, employers must have had on March 15, 2020, a business number registered with the CRA to make payroll remittances. The government extended eligibility for the CEWS to certain employers who did not have a payroll account registered with CRA but instead use a payroll service provider who makes their payroll remittances on the provider's RP account.
- Amounts received by employees through Employment and Social Development Canada's Work-Sharing Program also reduce amounts available from the CEWS in the qualifying period.
- Employers receiving this subsidy are required to report the total amount received as taxable income, the CEWS is considered to be income as of the last day of the qualifying period, regardless of when the funds are received. For example, a claim for period 10 CEWS would be considered to be income as of December 19, 2020. Additionally, the amount of CEWS claimed per employee is required to be reported on employees' T4 slips. Click [here](#) for additional information.

##### How to Apply

Since April 27, 2020, eligible employers are able to access the CEWS by applying through either the Canada Revenue Agency's My Business Account portal, a Business representative using CRA's Represent a Client, or through an online portal [here](#). The process begins by clicking [here](#), where the employer will use an online calculator to determine the subsidy amount (for Claim periods 1 through 6 at this time). The online calculator must be completed prior to applying for the subsidy. The application deadline for the qualifying period is the later of January 31, 2021 (administratively extended to February 1, 2021), and 180 days after the end of the qualifying period.

For further information on this subsidy, please [click here](#).

#### TEMPORARY SMALL BUSINESS WAGE SUBSIDY (TSBWS)

The TSBWS provided eligible employers with a temporary wage subsidy equal to 10% of remuneration paid, during the period of March 18 to June 19, 2020, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Legislation implementing this measure was passed on March 25, 2020.



- 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 benefit from this support, employers were eligible to reduce their remittances of income tax withheld on their employees' remuneration by the amount of the subsidy. Employers were able to start reducing employee income tax remittances in the first remittance period that includes remuneration paid between March 18, 2020, and June 19, 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 be transferred to the next year's remittance.
- Employers receiving this subsidy are required to report the total amount claimed as income. The subsidy is considered to be income in the same fiscal period as the source deductions were reduced.
- Form PD27 is required to be filed with CRA to reconcile the reduction of source deduction remittances. The form can be found [here](#).
- [Click here for further information.](#)

#### INCREASING CREDIT AVAILABLE TO BUSINESSES

The *Business Credit Availability Program* (BCAP) allows the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide \$65 billion in direct lending and other types of financial support. By working in close cooperation with financial institutions, this program will fill gaps in market access and leverage additional lending by private sector institutions.

Businesses seeking support through BCAP should contact the financial institution with whom they have a pre-existing relationship, so that the financial institution may assess the client's financial request.

BCAP includes the following programs:

- The *Canada Emergency Business Account* allows financial institutions and credit unions to provide loans of up to \$40,000, guaranteed by the Government of Canada, to qualifying small businesses and non-profits. The loans are 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% (up to \$10,000). The program application deadline has been extended to June 30, 2021.
  - To qualify, the borrower will need to demonstrate that they:
    - Either
      - are applying through the Payroll Stream and therefore:
        - had total payroll in 2019 of between \$20,000 to \$1.5 million,
        - will provide a Business number (15-digits) associated with the business payroll account and the total amount in Box 14 of the T4 Summary, and
        - acknowledge that they can provide the T4 Summary if requested upon audit by the Government; or
      - are applying through the Non-Deferrable Expenses Stream and therefore:
        - have \$20,000 or less in total employment income paid in the 2019 calendar year,
        - have a Canada Revenue Agency business number and have filed a 2018 or 2019 tax return, and
        - have eligible non-deferrable expenses between \$40,000 and \$1,500,000 (applicant will need to provide supporting documentation of the 2020 Eligible Non-deferrable expenses).

- have an active business chequing account/operating account with the lender, which is its primary financial institution. The account must have been opened on or prior to March 1, 2020 and must not have been in arrears on existing borrowing facilities by 90 days or more as at March 1, 2020. As of October 26, 2020, the requirement to have had an existing business bank account as of March 1, 2020, has been removed. Such an account can now be opened as part of a “pre-application” process.
    - have not previously used this program and will not apply for support under this program at any other financial institution.
    - acknowledge that the loan will only be used to pay non-deferrable operating expenses of the borrower including, without limitation, payroll, rent, utilities, insurance, property tax, regularly scheduled debt service, payments to independent contractors, fees required to maintain licenses, authorizations or permissions required to conduct business, and payments for materials consumed to produce the business’ ordinary products. The loan may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation. AND
    - intend to continue to operate the business or to resume operations.
  - On October 9, 2020, it was announced that access to an interest-free loan of up to \$20,000 would be available in addition to the original loan of \$40,000. Half of the \$20,000 loan would be forgivable if repaid by December 31, 2022. Application for the additional financing will occur under two streams, as it did for the original loan:
    - Payroll Stream
      - Applications will be completed directly through the financial institution where the business holds its primary business chequing/operating account.
      - After applying, the Government of Canada will approve or decline the loan, the financial institution will deal directly with the government.
    - Non-Deferrable Expenses Stream
      - Businesses will initiate the application process at their primary financial institution, once this is completed, a second step is required
      - Step 2 requires the applicant to go to the CEBA website to provide supporting documentation of the 2020 Eligible Non-deferrable Expenses and complete the application process online.
      - The Government of Canada will review the information provided in Steps 1 and 2 and inform the financial institution regarding successful applications.
  - CRA has confirmed that the forgivable portion of the CEBA loan will be reportable as income in the year in which the loan is received. For example, if the borrower applied for the CEBA on August 1, 2020, and received the full original loan for \$40,000, the portion that is eligible for forgiveness, \$10,000, will be reportable as income to the borrower in 2020. If, subsequently, the borrower must repay the forgivable portion due to not qualifying for the forgiveness, the repayment can be deducted from income in the year in which the loan is repaid.
  - More information and updates on the program can be found by [clicking here](#).
- Loan Guarantee for Small and Medium-Sized Enterprises
  - Allows financial institutions to issue operating credit and cash flow term loans of up to \$6.25 million to existing clients, with 80% guaranteed by EDC.
  - Available to businesses, in all sectors, that were otherwise financially viable and revenue generating prior to the COVID-19 outbreak.

- Money is to be used for operational expenses, not for dividend payouts, shareholder loans, bonuses, stock buyback, option issuance, increases to executive compensation or repayment/refinancing of other debt.
- The program is now available at various financial institutions and credit unions until June 2021.
- BDC Co-Lending Program for Small and Medium-Sized Enterprises
  - Provides term loans for operational and liquidity needs of businesses, including interest payments on existing debt.
  - Available to businesses, in all sectors, that were otherwise financially viable and revenue generating prior to the COVID-19 outbreak.
  - Loans available dependent on revenues of the business.
    - Loans up to \$312,500 to business with revenues of less than \$1million
    - Loans up to \$3.125 million to businesses with revenues between \$1million and \$50 million.
    - Loans up to \$6.25 million to businesses with revenues in excess of \$50 million.
  - 80% of these loans are provided by BDC, with the remaining 20% provided by the financial institution. The financial institution will undertake on behalf of BDC to structure, underwrite, document, authorize, and service the term loan.
  - Loans are interest-only for the first 12 months, repayment over a 10-year period.
  - The program is now available at various financial institutions and credit unions until June 2021.
- EDC Mid-Market Guarantee and Financing Program
  - Will guarantee 75% of new operating and cash-flow loans between \$16.75 million and \$80 million for companies who tend to have revenues of between \$50 million and \$300 million.
  - Expanded guarantees available to exporters, international investors, and businesses that sell their products or services within Canada.
  - More details to be released soon.
- BDC Mid-Market Financing Program
  - Provides commercial loans between \$12.5 million and \$60 million to medium-sized businesses whose credit needs exceed other available programs
  - Qualifying companies will have annual revenues in excess of approximately \$100 million
  - Must have been impacted by COVID-19 and/or recent decline in oil and gas prices
  - Provided jointly by BDC and the business's primary financial institution
  - Spans four years, after which principal is to be repaid as a balloon payment
  - Interest payments for the first 12 months capitalized and due at maturity
  - Loans available until or before June 2021.

More information on the *Business Credit Availability Program* can be found [here](#).

Farm Credit Canada will increase by \$5 billion the near-term credit available to farmers and the agri-food sector.

The *Large Employer Emergency Financing Facility (LEEFF)* provides bridge financing to large employers with annual revenues generally in the order of \$300 million or higher.

- Program open to large for-profit businesses, excluding those in the financial sector, as well as certain non-profit businesses.

- Eligible businesses must be seeking at least \$60 million of financing, have significant operations or workforce in Canada, and not be involved in active insolvency proceedings.
- Program is delivered by the [Canada Development Investment Corporation](#).
- Support under the LEEFF program will not be available if the company has the capacity to manage through the crisis without the LEEFF relief.

More information and updates on the program can be found by [clicking here](#)

#### HIGHLY AFFECTED SECTORS CREDIT AVAILABILITY PROGRAM

The *Highly Affected Sectors Credit Availability Program (HASCAP)* provides low-interest loans of \$25,000 to \$1 million to cover operational cash flow needs.

- Program open to businesses that operate in sectors such as tourism, hospitality, and other businesses that rely on in-person services. Businesses must have seen a revenue decline of 50% or more as a result of COVID-19.
- BDC guarantees the financial institution 100% of the value of a new term loan. 4% interest rate applies and repayment terms of up to 10 years. Borrowers will also have up to a 12-month postponement of principal payments at the start of the loan.
- Program is applied for through a financial institution.
- Program available until June 30, 2021.

More information on the program can be found by [clicking here](#)

#### CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE

The *Canada Emergency Commercial Rent Assistance (CECRA)* was available to provide relief for small businesses with respect to their commercial rent payments. The program offered forgivable loans to eligible commercial property owners who offered a minimum of a 75% rent reduction to small business tenants for the months of April, May, and June 2020. For those who qualified for the CECRA, an extension could have been applied for the months of July, August, and September. The July, August, and September extension was voluntary. The rent reduction can be in the form of a credit of future month's rent if agreeable by property owner and tenant, but any attempt to recover forgiven rent when the program ends will result in non-compliance with the program. The CECRA was administered by the Canada Mortgage and Housing Corporation (CMHC) with funds paid through the property owner's financial institution. If all applicable program terms and conditions are met, the loan will be forgiven as of December 31, 2020. Despite CMHC administering the program, there was no requirement that the property owner have a mortgage or other type of debt outstanding at the time of application. The online application process opened on May 25, 2020, and is now closed. CMHC will be conducting reviews throughout 2021 to ensure compliance with program requirements was met.

For more information on this program, [click here](#).

#### CANADA EMERGENCY RENT SUBSIDY

The *Canada Emergency Rent Subsidy (CERS)* is a new program announced October 9, 2020. This program will provide rent and mortgage support until June 5, 2021 for qualifying organizations. The rent subsidy will be paid directly to tenants and property owners.

This program takes a lot of its elements from the CEWS. The CERS base rate is dependent on the percentage of revenue decline experienced by the organization. The base rate is as follows:

Revenue Drop	Base Subsidy rate
70% and over	65%
50% to 69%	$40\% + 1.25 \times (\text{revenue drop} - 50\%)$ (e.g., $40\% + 1.25 \times 60\% \text{ revenue drop} - 50\%$ ) = 52.5%
0% to 49%	$0.8 \times \text{revenue drop} = \text{CERS rate}$

#### Eligible Entities

Eligible entities include individuals, taxable corporations and trusts, registered charities and non-profit organizations. Also includes partnerships that are up to 50% owned by non-eligible members, indigenous government-owned businesses, registered Canadian amateur athletic associations, registered journalism organizations, and non-public educational and training institutions.

Additionally, an eligible entity must meet one of the following:

- Have a payroll account as of March 15, 2020 or have been using a payroll service provider;
- Have a business number as of September 27, 2020 (if relying on this criteria, the entity will need to satisfy to CRA that it is making a bona fide rent subsidy claim which may require records and other information to support);
- Have purchased the business assets of another person or partnership who meets condition b above, and have made an election under the special asset acquisition rules;
- Meet other conditions as may be prescribed at a future date

#### Eligible Expenses

Eligible expenses will be limited to amounts paid under written agreements entered into before October 9, 2020 and are limited to expenses related to real property in Canada. Eligible expenses can qualify when they become due rather than when paid, provided they are paid within 60 days of receiving the CERS payment. Eligible expenses include commercial rent, property taxes, property insurance, and interest on commercial mortgages. Eligible expenses do not include GST/HST paid on eligible expenses, amounts paid between non-arm's length entities, mortgage interest expenses on properties earning rental income from arm's length entities, and expenses related to residential property used by the taxpayer.

Expenses will be limited to \$75,000 per location with an overall limit of \$300,000 shared among affiliated entities.

#### Non-Arm's Length Amendment

CERS was amended to capture situations where a different entity applies for the rent subsidy than the one whose activities were required to cease. For example, a business that rents property from a non-arm's length property owner is forced to shut down due to a public health restriction. Despite the property owner's activities not ceasing, provided all other Lockdown Support conditions being met, the property owner would be eligible for the Lockdown Support if the non-arm's length tenant is forced to closed as a result of a public health restriction.

#### Determining Revenue Declines

Revenues will be calculated in the same manner as they are under the CEWS program. Revenue declines would be determined based on a comparison of the current month’s revenue to the same month last year or last month’s revenue compared to the same month last year. An alternative comparison is available that is helpful for businesses that do not have a prior year comparison. The alternative approach is to compare the current or prior month’s revenue to the average revenue earned in January and February 2020. Once an approach is chosen, that method must be utilized for all claims and if the taxpayer also claims the CEWS, the approach chosen must be the same the taxpayer has chosen under the CEWS program.

	Claim Period	General Approach	Alternative Approach
Period 1	Sept 27 to Oct 24, 2020	October 2020 over October 2019  <u>or</u>  September 2020 over September 2019	October 2020 <u>or</u> September 2020 over average of January and February 2020
Period 2	Oct 25 to Nov 21, 2020	November 2020 over November 2019  <u>or</u>  October 2020 over October 2019	November 2020 <u>or</u> October 2020 over average of January and February 2020
Period 3	Nov 22 to Dec 19, 2020	December 2020 over December 2019  <u>or</u>  November 2020 over November 2019	December 2020 <u>or</u> November 2020 over average of January and February 2020
Period 4	Dec 20 to Jan 16, 2021	December 2020 over December 2019  <u>or</u>  November 2020 over November 2019	December 2020 <u>or</u> November 2020 over average of January and February 2020
Period 5	Jan 17 to Feb 13, 2021	January 2021 over January 2020  <u>or</u>  December 2020 over December 2019	January 2021 <u>or</u> December 2020 over average of January and February 2020
Period 6	Feb 14 to Mar 13, 2021	February 2021 over February 2020  <u>or</u>  January 2021 over January 2020	February 2021 <u>or</u> January 2021 over average of January and February 2020
Period 7	Mar 14 to Apr 10, 2021	March 2021 over March 2019  <u>or</u>  February 2021 over February 2020	March 2021 <u>or</u> February 2021 over average of January and February 2020

Period 8	Apr 11 to May 8, 2021	April 2021 over April 2019  <u>or</u> March 2021 over March 2019	April 2021 <u>or</u> March 2021 over average of January and February 2020
Period 9	May 9 to June 5, 2021	May 2021 over May 2019  <u>or</u> April 2021 over April 2019	May 2021 <u>or</u> April 2021 over average of January and February 2020

#### Lockdown Support for Locations Affected by Public Health Restrictions

A Lockdown Support of 25% will be available to eligible entities with locations that are temporarily forced to close or must severely restrict activities due to a public health order. The support is available for the amount of days a location was in lockdown within the 28 day qualifying period. For example, if during the 28 day period, the location was closed for 21 days, the lockdown support for the period would be calculated as  $25\% \times 21/28 = 18.75\%$ .

To qualify for the Lockdown Support, the following conditions must apply:

- the eligible entity qualifies for the base CERS; and
- the public health order requires that the entity
  - completely shut down the location; or,
  - cease some or all of the activities at the location and it is reasonable to conclude that the ceased activities, in the appropriate pre-pandemic prior reference period, were responsible for at least approximately 25 per cent of the revenues of the entity at that location.

For more details on common circumstances eligible for the Lockdown Support click [here](#). Eligible expenses include the same that are eligible for the base CERS, with a similar limit of \$75,000 per location, but no overall limit is applicable for Lockdown Support.

#### Combined CERS

Revenue Drop	Base Subsidy rate	Lockdown Support
70% and over	65%	25%
50% to 69%	$40\% + 1.25 \times (\text{revenue drop} - 50\%)$  (e.g., $40\% + 1.25 \times 60\% \text{ revenue drop} - 50\%) = 52.5\%$	25%
0% to 49%	$0.8 \times \text{revenue drop} = \text{CERS rate}$	25%

Other important information:

- The CERS is taxable and must be reported on an annual return of income.
- An [attestation form](#) must be signed by the owner or the person financially responsible.



#### How to apply

Since November 23, 2020, eligible entities are able to access the CERS by applying through either the CRA's My Business Account portal or a Business representative using CRA's Represent a Client. The process begins by clicking [here](#), where the eligible entity will use an online calculator to determine the subsidy amount. The online calculator must be completed prior to applying for the subsidy. A CERS number will also be needed for the application, this number can be created through the CRA My Business Account. Applications for the program must be made on or before 180 days after the end of the qualifying period.

#### EMPLOYMENT INSURANCE WORK SHARING PROGRAM

- The EI Work Sharing Program provides EI benefits to workers who agree to reduce their normal working hours as a result of developments beyond the control of their employers. Temporary changes to this program will extend the eligibility of such agreements to 76 weeks, ease eligibility requirements, and streamline the application process. For more information on eligibility and to apply, [click here](#).

#### CRA AUDIT ACTIVITY

The Canada Revenue Agency had temporarily suspended audit interaction with taxpayers and representatives for the majority of businesses. Activities have recently resumed with additional precautions in place.

#### WHAT APPLIES TO ME?

The government has created a new online questionnaire to help guide Canadians as to what benefit programs they may be entitled to. To access, click [here](#).

Please contact your IG Consultant for more information.

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