

CCC
INVESTMENT
BANKING



The Government of Canada's Covid-19 Economic Response Program

Canada 

A Relentless Commitment to Close

Overview and Purpose

- Canada has introduced sweeping programs valued at over \$80 billion to help Canadians and Canadian businesses survive this pandemic. We provide information herein on how Canada's COVID-19 Economic Response Plan (the "ERP") affects businesses.
- On March 25, 2020, Bill C-13, *An Act respecting certain measures in response to COVID-19* to implement the Economic Response Plan measures. This level of stimulus is unprecedented in Canadian history and includes \$27 billion in direct assistance and \$55 billion in tax deferrals.
- There are many different programs, some overlapping, some already in effect, and some awaiting passage into law.
- We have parsed through the legislation to give you an overview of :
 1. What is available;
 2. Who it is available to;
 3. How to obtain it; and
 4. Links to obtain additional information
- We cover the main features in this overview as they affect businesses specifically and not individuals. Additional support is offered, and new programs will likely be introduced over time. This is a summary and not intended to be exhaustive.

Business Programs

Relief for Canadian businesses can be grouped into 6 categories:

1. Wage subsidies
2. Small and Medium Size Business Loan and Guarantee Program
3. Tax filing changes for businesses
4. The Canada Emergency Business Account
5. Supporting Financial Market Liquidity
6. Canada Emergency Commercial Rent Assistance (CECRA)

Business programs: Wage Subsidies

- The Canada Emergency Wage Subsidy provides a 75% 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.

Eligibility:

- Eligible employers include individuals, taxable corporations, and partnerships as well as non-profit organizations and registered charities, but do not include public bodies.
- To be eligible employers must see a drop of at least 15 per cent of their revenue in period 1 and 30% in periods 2 and 3 (see Eligibility Period on slide 6). In applying for the subsidy, employers would be required to attest to the decline in revenue. 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.

Subsidy Amount:

The greater of:

- (i) 75% of the amount of remuneration paid, up to a maximum benefit of \$847 per week, per employee, retroactive to March 15 and continuing until June 6; and
- (ii) 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.

Business programs: Wage Subsidies

Effect to Employers:

- In effect, employers may be 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.
- Employers will also be eligible for a subsidy of up to 75% 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.
- 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.

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 on April 27, 2020.

Business programs: Wage Subsidies

Eligibility Period:

- 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. To be eligible, the business must experience a year over year decline in monthly revenue of at least 15% in period 1 and at least 30% in periods 2 and 3. The amount of wage subsidy received by the employer in a given month would be ignored for the purpose of measuring year-over-year changes in monthly revenues.
- The table below outlines each claiming period and the period in which it has a decline in revenue of 30% or more.

	Claiming Period	Required reduction in revenue	Reference period for eligibility
Period 1	March 15 – April 11	15%	March 2020 over: <ul style="list-style-type: none"> • March 2019, or • Average of January and February 2020
Period 2	April 12 – May 9	30%	Eligible for Period 1, OR April 2020 over: <ul style="list-style-type: none"> • April 2019, or • Average of January and February 2020
Period 3	May 10 – June 6	30%	Eligible for Period 2, OR May 2020 over: <ul style="list-style-type: none"> • May 2019, or • Average of January and February 2020

Business Programs: Small and Medium Size Business Loan and Guarantee Program

- This \$40 billion program will allow eligible borrowers to access additional loans from their incumbent financial institution of up to \$12.5 million dollars per eligible business.
- Two Government of Canada financial institutions, Export Development Canada (“EDC”) and the Business Development Bank of Canada (“BDC”) will facilitate financial institutions to support their borrowers with up to \$6.25 million from each of EDC and BDC for a total of up to \$12.5 million.
- Borrowers apply through their existing financial institution. That financial institution will underwrite the loan, meaning it will conduct a credit analysis of the borrower. The incumbent will fund 100% of the loan and BDC and/or EDC will fund up to 80% of the approved loan amount, directly to the financial institution.
- Borrowers must demonstrate need arising from the pandemic, must have been financially viable prior to the impact of COVID-19, and demonstrate credit worthiness and the eventual ability to repay.
- CCC has deep experience in raising financing for companies and is assisting borrowers prepare financial projections and ancillary information and apply for this financial assistance.
- The volume of applications for financing at financial institutions across Canada is unprecedented. BDC alone estimates their application volume is 20 to 30 times normal. Submitting the application correctly the first time, knowing what the lenders need to see is critical to getting timely financing.

Business Programs: Tax Filing Changes for Business

Income Tax Payment

- The Canada Revenue Agency will allow all businesses to defer the payment of any income tax amounts that become owing on or after March 18 and before September 1, 2020 until September 1, 2020. This relief would apply to tax balances due, as well as installments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period.

Goods and Services Tax/Harmonized Sales Tax

- The Federal government is deferring GST/HST remittances to June 30, 2020. The Minister of National Revenue will extend until June 30, 2020 the time that:
 - Monthly filers must remit amounts collected for the February, March and April 2020 reporting periods;
 - Quarterly filers must remit amounts collected for the January 1, 2020 through March 31, 2020 reporting period; and
 - Annual filers, whose GST/HST return or instalment are due in March, April or May 2020, must remit amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year.
- The Canada Revenue Agency will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks, and audit interactions will be temporarily suspended for "the vast majority of businesses."

Business Programs: Tax Filing Changes for Business

Deferral of Customs Duty and Sales Tax for Importers

- Imported goods by businesses are generally subject to the GST, at a rate of 5%, as well as applicable customs duties, which vary by product and country of origin. While the vast majority of imports enter Canada duty-free, some tariffs remain, especially on consumer goods.
- Typically, payments owing for customs duties and the GST on imports are due before the first day of the month following the month in which the Statements of Accounts are issued. However, payment deadlines for statements of accounts for March, April, and May are being deferred to June 30, 2020.

Business Programs: The Canada Emergency Business Account

- The Canada Emergency Business Account is a new \$25 billion loan program that has been implemented by eligible financial institutions in cooperation with Export Development Canada (EDC).
- This 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 as a result of the impacts of COVID-19.
- To qualify, these organizations will need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in the 2019 calendar year. Repaying at least 75% of the balance of the loan on or before December 31, 2022 will result in loan forgiveness of the remaining 25% (up to \$10,000).

Business Programs: Supporting Financial Market Liquidity

- The Government of Canada has announced new measures on March 13 and March 16 to maintain liquidity in financial markets and to encourage financial institutions to lend to Canadian businesses.
- On March 16, Canada launched an Insured Mortgage Purchase Program (IMPP). Under this program, the government will purchase up to \$150 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC) to provide long-term stable funding to banks and mortgage lenders, help facilitate continued lending to Canadian consumers and businesses, and add liquidity to Canada's mortgage market.
- Further, the Bank of Canada has announced that it will adjust its market liquidity operations to maintain market functioning and credit availability during the current period of uncertainty in which conditions are evolving rapidly.
- The Bank of Canada also announced that it will broaden eligible collateral for its term repo facility to include the full range of collateral eligible under the Standing Liquidity Facility, except for the non-mortgage loan portfolio. This expansion of eligible collateral will provide support to funding conditions for financial institutions by providing a backstop to regular private funding.
- The Bank also announced that it stands ready, as a proactive measure, to provide support to the Canada Mortgage Bond (CMB) market so that this important funding market continues to function well. This would include, as required, purchases of CMBs in the secondary market.

Business Programs: Canada Emergency Commercial Rent Assistance (CECRA)

Small Business Rent Relief

- The federal and provincial governments have reached an agreement to lower rent by 75% for small businesses that have been severely impacted by COVID-19. The program will extend forgivable loans to eligible commercial landlords to cover 50% of three months of rent payments by eligible small business tenants who have experienced financial hardship during April, May, and June.
- The loans to the landlords will be forgiven if they agree to reduce the small business tenants' rent by at least 75%, with the remaining 25% to be covered by the small business tenant.
- It is expected that CECRA will be operational by mid-May.

Eligibility

- Eligible small business tenants must meet the following criteria to be eligible for the CECRA program:
 - Pay less than \$50,000 per month in rent, and;
 - Who have temporarily ceased operations, or have experienced at least a 70% drop in pre-COVID sales.

Additional Support from British Columbia

Tax relief for businesses

- The Government of British Columbia is extending filing and payment deadlines until September 30, 2020, for the employer health tax, provincial sales tax, municipal and regional district tax on short-term accommodation, carbon tax, motor fuel tax, and tobacco tax.
- The following tax changes announced in the 2020 British Columbia budget are postponed until at least September 30, 2020:
 - Eliminating the PST exemption for carbonated beverages that contain sugar, natural sweeteners or artificial sweeteners;
 - Expanded registration requirements for Canadian sellers of goods, along with Canadian and foreign sellers of software and telecommunication services; and
 - Carbon tax rates will remain at their current levels until further notice.
- School tax rates for commercial properties are reduced by 50% for the 2020 tax year.
- In July 2020, an additional one-time payment will be made on top of the regular climate action tax credit.

Additional Support from Ontario

Tax relief for businesses

- The Government of Ontario is providing five months of interest and penalty relief to file and make payments for the majority of provincially administered taxes. Penalties and interest rates will not apply to Ontario businesses that miss any filing or remittance deadline under select provincial taxes.
 - The provincial taxes included in the relief period: Employer Health Tax, Tobacco Tax, Fuel Tax, Gas Tax, Beer, Wine & Spirits Tax, Mining Tax, Insurance Premium Tax, International Fuel Tax Agreement, Retail Sales Tax on Insurance Contracts and Benefit Plans, and the Race Tracks Tax.
 - Employers can also defer Workplace Safety and Insurance Board (WSIB) payments for up to six months.
 - Finally, Ontario has increased the Employer Health Tax exemption for 2020 to \$1 million, up from \$490,000.

Links to Additional Information

- I. https://www.canada.ca/en/department-finance/news/2020/03/canadas-covid-19-economic-response-plan-support-for-canadians-and-businesses.html#Supporting_Financial_Market
- II. <https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html>
- III. <https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>
- IV. https://www.bdc.ca/en/about/mediaroom/news_releases/pages/new-small-medium-sized-enterprise-loan-guarantee-program-help-ease-access-credit-entrepreneurs-impacted-covid-19.aspx
- V. <https://www.cmhc-schl.gc.ca/en/finance-and-investing/insured-mortgage-purchase-program>
- VI. <https://www2.gov.bc.ca/gov/content/taxes/tax-changes/covid-19-tax-changes>
- VII. <https://www.ontario.ca/page/covid-19-support-businesses>
- VIII. <https://www.ctvnews.ca/canada/new-funds-for-covid-19-community-programs-coming-wage-subsidy-launching-april-27-pm-1.4904944>

For further information



Toronto Office

O: 416-619-9120 C: 416-271-6980
brogers@cccinvestmentbanking.com



Toronto Office

O: 416-619-9117 C: 416-271-8316
rbird@cccinvestmentbanking.com



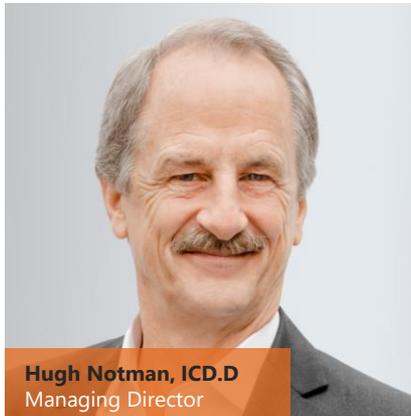
Toronto Office

O: 416-619-9119 C: 416-722-7418
bfarrell@cccinvestmentbanking.com



Toronto Office

O: 416-619-9102 C: 416-450-9884
leonard@cccinvestmentbanking.com



Vancouver Office

O: 604-689-2495 C: 604-657-6558
hnotman@cccinvestmentbanking.com



Vancouver Office

O: 604-282-4691 C: 604-307-6229
cwallace@cccinvestmentbanking.com