



Guiding businesses through the response to COVID-19:

Outline of support programs

PRESENTED BY

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Here with you today



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Today's topics

Federal Incentives

- ✓ Canadian Emergency Wage Subsidy
- ✓ 10% Employer Subsidy
- ✓ Canadian Emergency Response Benefit
- ✓ Other Programs

Financing and Credit Programs

- ✓ Canadian Emergency Response Benefit
- ✓ BCAP
- ✓ Cashflow Planning

Caveat

Things are changing quickly – the contents of this presentation are up to date as of April 17th, 2020.



Federal programs

Canadian Emergency Wage Subsidy ("CEWS")

Federal Government

Canada Emergency Wage Subsidy

- Support employers and protect Canadian jobs
- Employer wage subsidy:
 - 75% of first \$58,700, of benefit up to \$847/week
 - Lasts for 12 weeks March 15th through June 6th
 - 100% refund of employer contributions to CPP / EI / QPP / QPIP for employees on leave with pay
- Focus on the employee – no overall claim limit for qualifying employer

Federal Government

Canada Emergency Wage Subsidy

Who qualifies for CEWS – Eligible Employers

- Employers of all sizes including:
 - Taxable corporations
 - Individuals
 - Partnerships with eligible employers
 - Non-profit organizations and registered charities
- Public sector employers excluded (municipalities, local governments, crown corporations, etc.)
- Watch for duplication of other benefits!

Federal Government

Canada Emergency Wage Subsidy

Who qualifies – Income Reduction Criteria

- Qualification looks to relative revenue decline year over year
 - 15% decrease March 2019 vs. March 2020
 - 30% decrease April 2019 vs. April 2020
 - 30% decrease May 2019 vs. May 2020
- Alternative measure - relative decrease from average of January and February 2020 to period in question
- Must be consistent through all periods - locked in once choice is made

Federal Government

Canada Emergency Wage Subsidy

Who qualifies – Income Reduction Criteria (con't...)

- **Once eligible for specific period – automatic qualify for the next period!**
- Example: Assume the following:
 - Revenue for January: \$100,000
 - Revenue for February: \$140,000
 - Average Revenues = \$120,000
 - March Revenues \$90,000 – revenue decrease 25%
- Because March revenues decreased 25% - the employer automatically qualifies for March and April
- To qualify for May revenues must decrease by 30% (i.e. \$84,000)

Federal Government

Canada Emergency Wage Subsidy

	Claim period	Revenue Decline	Reference period for eligibility
Period 1	March 15 th to April 11 th	15%	March 2020 over: <ul style="list-style-type: none"> • March 2019 or • Avg. of Jan and Feb 2020
Period 2	April 12 th to May 9 th	30%	Eligible for period 1 OR April 2020 over: <ul style="list-style-type: none"> • April 2019 or • Avg. of Jan and Feb 2020
Period 3	May 10 th to June 6 th	30%	Eligible for period 2 OR May 2020 over: <ul style="list-style-type: none"> • May 2019 or • Avg. of Jan and Feb 2020

Federal Government

Canada Emergency Wage Subsidy

What qualifies as revenue?

- **Revenues computed from arm's length sources**
 - Use normal accounting methods
 - Exclude extraordinary items and amounts on capital account
- Employers may use accrual accounting or cash method but not a combination of both – once chosen you're locked-in
- Special rules for non-arm's length transactions
- Affiliated groups may compute revenue on consolidated basis

Federal Government

Canada Emergency Wage Subsidy

Who qualifies as an employee?

- **Employees include an individual employed in Canada**
- Available to employees other than those without pay for 14 or more consecutive days in **eligibility period**:
 - March 15th to April 11th
 - April 12th to May 9th
 - May 10th to June 6th

Federal Government

Canada Emergency Wage Subsidy

What is remuneration?

- Remuneration includes salary, wages and other taxable benefits
- Excluded – Severance, stock option benefits, personal use of auto and similar

Federal Government

Canada Emergency Wage Subsidy

How do I compute?

- Benefit computed as greater of:
 - 75% x Remuneration to max \$847 / week **AND**
 - Remuneration paid up to max of \$847 / week or 75% of employee's pre-crisis weekly remuneration (whichever is less)
 - Pre-crisis pay for a given employee - based on average weekly remuneration between January 1 and March 15, 2020
 - Period excludes any 7-day gaps where no pay was provided
 - Special rules for non-arm's length employees - additional limits apply
 - **Where possible expected to maintain existing employee's pre-crisis employment earnings**
-



Federal Government

Canada Emergency Wage Subsidy

What else?

- Refund of 100% employer paid CPP / EI / QPP / QPIP
 - Refund covered for period employee is on leave with pay and for which employer eligible for CEWS
 - No refund max – not tied to 75% computation
- How do I apply: **through CRA's *My Business Account* portal**
- Compliance Measures:
 - Must repay amounts if found not to qualify
 - Penalties for abuse
- **Subsidy is considered taxable income – remember for tax time!**



Federal Government

HST

- File timely to access cash sooner if you have more cost than revenue
- Defer remittance to June

Federal Government

Other

- WCB, renewal fees
- Tax deferral for income tax payments (customs, income and other taxes) - balances due or instalments otherwise due after March 18 now deferred until September 1

Federal Programs

10% Employer Subsidy

Federal Government

10% Employer Subsidy

What is it?

- 10% temporary wage subsidy for qualifying employers who may not qualify for CEWS
- Immediate Benefit - reduction of payroll deductions to be remitted to CRA

Federal Government

10% Employer Subsidy

Who qualifies?

- Qualifying employers who may not qualify for CEWS include:
 - Individuals (excluding trusts)
 - Partnerships of qualifying employers
 - Non-profit organization / register charity
 - Canadian Controlled Private Corporations eligible for small business deduction (taxable Capital less than \$15 million)

Federal Government

10% Employer Subsidy

How do I compute the benefit?

- Taxpayer must compute benefit - greater of:
 - 10% x Compensation Paid from March 18, 2020 to June 19, 2020
 - **Maximum subsidy of \$1,375 per employee and \$25,000 per employer**
 - CCPCs don't have to share max subsidy among group
- **Receipt of subsidy:**
 - Continue regular payroll deductions (CPP, EI, income tax)
 - Reduction remittance amounts

Federal Government

10% Employer Subsidy

What else?

- Start reducing payroll remittances in first period that includes March 18, 2020 to June 19, 2020
- Benefits received under 10% employer subsidiary will reduce CEWS
- Business closed – no subsidy (i.e. based on remuneration paid)
- Benefit received is taxable to employer

Federal Programs

Canadian Emergency Response Benefit ("CERB") and Other Incentives

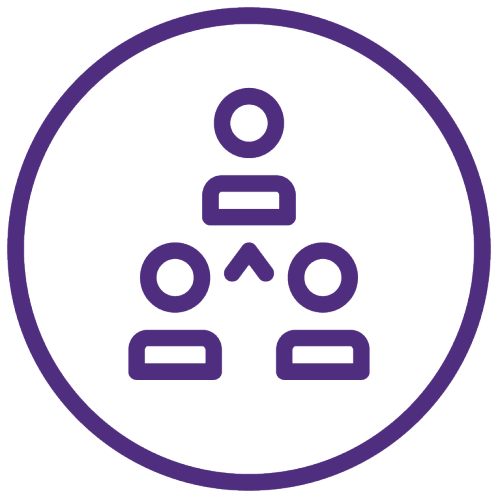
Canada Emergency Response Benefit



- 1 Must have **\$5,000** in employment income, self-employment income, or maternity or parental leave benefits for 2019 or in the 12-month period preceding the day application is made
- 2 14 days consecutive work stoppage required
- 3 Pays \$2,000 per month for the next 4 months. \$1,000 of employment income permitted.
- 4 Don't apply for CERB if you already applied for EI. Seasonal workers now permitted.



Work Sharing Program



- 1 To help eligible employers avoid layoffs during a temporary reduction in the normal level of business activity (that is beyond the control of the employer)
- 2 The program is an agreement between three parties: Employer, Employee, and Service Canada
- 3 Period of at least 6 consecutive weeks, extension of duration from 38 to 76 weeks



Supplementary Unemployment Benefit (SUB) Plan



- 1 Allows an employer to top up an employee's EI benefits during periods of unemployment due to:
 - a temporary stoppage of work or illness
 - injury or quarantine
- 2 Approved by Service Canada
- 3 This is not a new plan, but one that will be used heavily during the COVID downturn

Canada Student Jobs Program



- 1 Employers can get up to 100% subsidy to cover costs of hiring students (previously only charities/NPOs got 100%, private/public companies used to get 50%)
- 2 Timeframe extended for job placements until Feb 28, 2021 (from August 28, 2020)
- 3 Part-time work eligible (previously 30-40 hours were required)



Credit programs

BCAP



Business Credit Availability Program (BCAP)

Established by the Federal government to provide \$65 billion in **temporary** additional support for Canadian businesses

- Loan guarantees and/or new lending
- Delivered through a combination of:
 - Business Development Corporation
 - Export Development Corporation
 - Schedule I Canadian chartered banks
- Timing varies – certain programs are rolled out, some are still waiting
- It is not free money or interest-free support
- Applications under BCAP primarily initiated via existing operating lender

Federal Government

Canada Emergency Business Account

Amount	\$40,000, revolving line of credit
Term	Any outstanding balance (at December 31, 2020) will convert to a term loan
Repayment	25% eligible for complete forgiveness; 75% repaid on or before December 31, 2022. If not repaid, remaining balance becomes due in December 2025.
Pricing	Interest free until December 31, 2022. January 1, 2023 thereafter, 5%
Security	TBD
Underwriting	Bank
Other	Funding via bank, apply directly online Available for small business (and NPOs) with payroll between \$20k and \$1.5 million

Federal Government

CEBA - Eligibility

- Canadian operating company registered in Canada on March 1, 2020.
- Have a 15-digit Canada Revenue Agency (CRA) Business Number.
- The borrower has an active business chequing/operating account with a primary financial institution. This account was opened on or prior to March 1, 2020.
- Not delinquent on existing borrowing facilities for more than 90 days on March 1st, 2020.
- Annual payroll of between \$20,000 and \$1.5 million as evidenced by the organization's 2019 T4 Summary of Remuneration Paid (T4SUM).



Federal Government

CEBA - Eligibility

- The funds may be used to **pay non-deferrable operating expenses** such as: payroll, rent, utilities, insurance, property tax and regularly scheduled debt service,
- Funds may **not be used** for: prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.
- The application process is being done via primarily (almost exclusively) via each lender's on-line banking platform.

Business Development Bank of Canada

Working capital loan (BCAP program)

Amount	\$100k up to \$2 million
Term	36 months
Repayment	Interest-only (for up to 12 months) 40% amortized over remaining period 60% balloon payment (or refinance) at term maturity
Pricing:	BDC floating rate (prime+2.0%) less 175 bps
Security:	General Security Agreement (2nd position) and personal guarantee
Other	Underwritten and funding directly by BDC Program approved and accepting applications now



Business Development Bank of Canada

SME loans (BCAP program)

Amount	Up to \$6.25 million, based on company revenue thresholds
Term and Repayment	10 year term, interest only for first 12 months
Pricing	Commercial lending rates
Security	TBD
Underwriting	Operating lender
Funding	Co-lending:80% BDC and 20% bank
Other	Program expected to be available this week via existing chartered bank

Export Development Corporation

Business Credit Availability Program

Eligibility	Expanded to include Canadian exporting and non-exporting companies
Amount	Guarantee of new operating credit and cash-flow term loans up to \$6.25 million
Guarantee	up to a maximum of 80% guarantee to operating lender
Term	guarantee available for 12 months
Pricing	EDC fee in addition to commercial loan pricing as determined by operating lender
Underwriting	completed by operating lender and provided to EDC with approval
Other	Active and accepting applications, initiated via existing operating lender

Farm Credit Corporation

New Operating Line

Amount	\$500k revolving operating line
Term	24 months
Repayment	<ul style="list-style-type: none">Interest only for 24 months. Condition that the balance must decrease to 50% of authorized amount (i.e. \$250k) once per year. Repayment or refinance at end.
Pricing	Prime plus 1%
Security	EDC fee in addition to commercial loan pricing as determined by operating lender
Underwriting	GSA (second position, if required) and personal guarantee
Other	<ul style="list-style-type: none">Can't do: hospitality, tourism, bars, full service restaurants, cannabisMust be going concern pre-COVID

Credit programs

Provincial

Provincial

PVNS Small Business Impact Grant

- Eligible small businesses and social enterprises will receive a one time grant of 15% of revenue from sales – either from April 2019 or February 2020, up to a maximum of \$5,000
- One-time, upfront grant can be used for any purpose necessary
- Application process is online and the deadline to apply in April 25
- Apply online

Provincial

PVNS Worker Emergency Bridge Fund

- Help for the self-employed and those laid-off workers who do not qualify for Employment Insurance.
- Government will provide a one-time, \$1,000 payment to bridge the gap to the Canada Employee Response Benefit.
- Eligibility:
 - NS resident and 18 or over
 - Employed and laid off, or self employed and lost all revenue on or after March 16
 - Earned between \$5k and \$34k
 - Have applied to the CERB
- Not eligible if your receiving EI



Cash flow management

Weekly cash flow projections

Benefits

- Timely information for real-time business decisions
- Demonstrate deep understanding of expected cash flow requirements in the near term
- Support your discussions with the bank if you are asking for new credit
- **Most important – open communication with your bank!**
- Understand:
 - How long will cash balance/ operating line last, or do you need more?
 - What does the best/worst case scenario look like, build a strategy to combat
 - When the recovery will begin?
 - Levers to manage the business in the short term



Immediate tips

Working capital

- Monitor working capital items (inventory, AR and AP) closely:
 - Collect as much as AR as you can; consider offering discounts
 - Extend creditors longer than normal and/or negotiate flexible payment plans
 - Closely manage inventory – consider slowing purchases or taking advantage of volume discounts (if you have the cash). Ensure critical supply chain.
- Apply for any available credit relief—principal holidays, extended operating line bulge, provincial small business loans, wage relief and BCAP programs
- Remember however – most, if not all of these loans are still repayable, so factor this into future cash flow
- Take advantage of HST and corporate tax deferral options



Immediate tips

Expense management

- Cancel/postpone all **non-essential expenses** (meetings / travel / conferences)
- Identify **expenses that can be cut** without disruption to operations – (i.e. CAPEX, or short-term growth expenses)
- Understand **fixed costs** and ensure you have enough cash to cover
- Understand **variable costs** - cut back where possible, you can always reinstate
- Determine a plan for a **phased lowering of labor costs** - consider: early retirement, temporary leave, reduced work weeks/days, staggered shifts, etc.
- Manage, reduce and clear out **inventory** - costs money to hold



Questions

General

- What have been the main impacts to the business and how are you mitigating them?
- What are the key operating costs (for the next 6 months) – i.e. rent, insurance, electricity, payroll, lending costs, supplies.
- How will you cover them? How much cash do you have available to cover and from what sources - i.e. existing/new loans, revenue sources, shareholder injection, government subsidies.
- Do you have other sources of funding available?
- What is your personal ability to inject funds into the business?



Questions

Revenue and AR

- How much has revenue declined (over same time last year)?
- What is the forecasted decline in the next 6 months?
- When would you expect it to rebound?
- Understanding of impact to customers as well? Customer concentration?
- How much work is being done to actively collect AR?
- Has there been a change in the company's credit policies?

Questions

Suppliers and AP

- Have/will there been any challenges in supply chain? Can you still procure materials?
- Are suppliers patient with payment terms? Have you had discussions with key suppliers?

Questions

Operations and production

- Can you still produce/manufacture and/or serve customers?
- What level of operations do you expect over the next 6 months?
- Have you considered alternative service models?
- Have you lost efficiency?
- Have you had to close certain business lines?

Questions

Staffing

- Physical location – employees working from home? Safety of onsite employees?
- Have you retained key employees?
- Consideration for: wage subsidies, lay offs, or alternate working hours?
- Are you paying employees if they cannot effectively work remotely?

Prepare in advance

Information/documents

- Most recent three years of year-end financial statements
- Year to date financial statements, with prior year comparison
- Cash flow projections for the next six months, including detailed revenues and expenses
- Most recent year end tax return
- Organizational chart showing ownership
- Statement of personal net worth
- Other documents, as required



Thank you!

GT COVID -19 Hub

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