

## Additional COVID-19 Measures Announced to Help Small and Medium Businesses

On March 27, 2020, Prime Minister Justin Trudeau announced significant additional measures to assist small and medium businesses including the following:

- Increasing the temporary wage subsidy to 75% of remuneration paid;
- Delaying payments for GST/HST and export duties to June; and
- Providing interest-free loans to eligible businesses.

We do not yet have specific details with respect to the eligibility for these new measures, as well as how businesses will be able to access these benefits. Additional information with respect to these measures is expected by early next week.

Johnsen Archer is committed to keeping you updated on further developments as they become available.

### Details on the Temporary Wage Subsidy

The Department of Finance released draft legislation on March 25, 2020 providing guidance on the temporary wage subsidy announced earlier this month. We have summarize the pertinent details of this subsidy below.

#### How much is the subsidy?

The subsidy applies to remuneration paid by eligible employers, to eligible employees with the eligible period, which is March 18, 2020 to June 19, 2020. The subsidy is calculated as the lesser of three amounts (subject to the changes announced March 27, 2020):

1. \$25,000 per eligible employer;
2. 10% of total remuneration paid to employees in Canada during the eligible period; and
3. \$1,375 per eligible employee.

#### Who qualifies to receive the subsidy?

The definition of eligible employer includes an individual, a Canadian-controlled private corporation (“CCPC”), a non-profit organization, a registered charity, or a partnership (all the members of which are individuals, CCPC’s, partnerships or registered charities) which has an existing payroll account on March 18, 2020. An eligible employer that is a CCPC, must also be eligible for the small business deduction, and cannot be part of an associated group with taxable capital in excess of \$15 million. It is important to note that CCPC’s which are part of an associated group, do not need to share the subsidy between them.

### **How is the subsidy received?**

Eligible employers can receive the subsidy by reducing their source deduction remittances by the amount of the calculated subsidy. Employers can only deduct the subsidy from the income taxes withheld from employees, not from contributions to the Canada Pension Plan or Employment Insurance premiums. To the extent that the income taxes withheld is less than the eligible subsidy for that period, the employer can reduce future remittances for the excess, even if the deduction is in respect of remuneration paid after the eligible period.

### **What are the other considerations?**

The subsidy will be considered taxable income in the taxation year in which it is received. In addition, eligible employers will need to keep books and records to support the amount of remuneration paid during the eligible period, the amount of federal and provincial tax withheld from that remuneration and the number of eligible employees during the eligible period.

Wishing you all safety and good health and thank you for your business!

Sincerely,

Your JA Team

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