

## Additional COVID-19 Support Measures

### Updates on Canada Emergency Wage Subsidy (“CEWS”)

On April 11, 2020, Parliament met to approve Bill C-14, the second bill with respect to COVID-19 emergency measures. The bill was passed and received Royal Assent that same day, and the legislation clarified some eligibility and administrative details with respect to the CEWS.

#### Who is a qualifying entity?

A qualifying entity includes a corporation, individual, registered charity, non-profit organization or a partnership. The entity also needs to meet the revenue decline test (see our release from April 9, 2020) and must have had a payroll remittance account with the Canada Revenue Agency (“CRA”) as of March 15, 2020.

Bill C-14 introduced a deeming rule for eligibility for the CEWS. Under this deeming provision, if an entity has met the qualifying criteria for a claim period, the entity will automatically be deemed to meet those conditions for the immediately following period. For example, if a business has met the 15% revenue decline test for March 2020, then they will be deemed to have met the revenue decline test for April 2020. Since the claim periods span month ends, this deeming rule may provide businesses with some additional certainty with respect to the immediately following claim period without having to forecast their revenues.

#### What are qualifying revenues?

Qualifying revenues are defined in the new legislation as the inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenues exclude extraordinary items and revenues from non-arm’s length parties, and are to be determined based on normal accounting practices. Although not explicitly stated in the legislation, the Department of Finance has indicated on their website that receipts on account of capital would not be considered revenues for this calculation.

The legislation allows for businesses to elect to use accrual based or cash based accounting in order to calculate their qualifying revenue. If such an election is made, it must be used consistently throughout the qualifying periods, and must be applied to both the current and prior reference periods.

#### How do groups of eligible entities calculate qualifying revenues?

One improvement made with the introduction of the legislation are the special rules applicable to groups with multiple entities. These provisions recognize that a group of eligible entities may have their sales activities in one entity, and their employees in another entity. The introduction of these special rules will provide some additional flexibility for entities that may not otherwise be eligible for the CEWS.

Where a group of eligible entities prepares consolidated financial statements, each entity can compute their qualifying revenues separately. If entities choose this method, the calculation must be made for all entities within the group.

Entities within an affiliated group (i.e. under common control) can elect to calculate their qualifying revenues on a consolidated basis. Each member of the affiliated group of entities must jointly elect to use consolidated qualifying revenues for the revenue decline test.

Finally, where all or substantially all (normally considered to be 90% or more) of the revenues earned by a business (“Business 1”) are from a non-arm’s length source (“Business 2”), there is a formulaic calculation that can determine the decline in revenue for Business 1 based on the decline in revenue of Business 2. This will allow businesses with revenues that would normally be excluded from the definition of qualifying revenues, to potentially qualify for the CEWS based on whether their non-arm’s length customers have experienced declines in revenue.

### How can I apply for the CEWS?

Businesses will be able to apply for CEWS starting April 27, 2020, however, applications can be made at any time up to October 2020. This date is subject to change should there be any extension to the CEWS. The benefit of hindsight may be valuable for businesses in determining which elections to make in their calculation of qualifying revenues.

To assist businesses in determining how much they can expect to receive through the CEWS, the government has released a calculator on CRA’s website. This will allow businesses to input information with respect to their individual situations.

Businesses will need to apply for the CEWS through their My Business Account portal on CRA’s website. If your business has not yet registered for My Business Account, and is planning on applying for the CEWS, we recommend that you get registered as soon as possible. Should you have any questions about how to register for My Business Account, please contact your Johnsen Archer advisor.

### **Expansion on Eligibility for the Canada Emergency Business Account (“CEBA”)**

The CEBA was introduced last month and provides interest free loans of up to \$40,000. Up to 25% of the loan will be forgivable if businesses are able to repay the loan on or before December 31, 2022.

In order to qualify for the CEBA, the borrower must be a Canadian business in operation as of March 1, 2020 and have an active business bank account with its primary financial institution. The most recent announcement expanded the eligibility criteria to include businesses with between \$20,000 and \$1,500,000 in payroll costs, compared to between \$50,000 and \$1,000,000 of payroll costs in order to apply as previously announced. This should significantly increase the number of businesses that will qualify for these loans.

Businesses need to work with their primary financial institution to apply for the CEBA.

### **Updates on Canada Emergency Response Benefit (“CERB”)**

This week, the government announced an enhancement to the CERB to allow for people that were earning small amounts of income to maintain their eligibility for the CERB. This is a welcome enhancement for

those people working significantly reduced hours, or trying to supplement lost income by taking on small projects.

As of this week, those individuals that have earnings of \$1,000 or less per month are also be eligible for the CERB. Previously, applicants for the CERB could not earn any income in order to qualify.

### **Announcement of Canada Emergency Commercial Rent Assistance (“CECRA”)**

Last week, the government announced their intention to provide additional assistance to businesses by way of implementing loans or forgivable loans to commercial property owners, who will lower or forgo the commercial rent they would normally receive from their tenants.

The details of this proposed assistance have not yet been released. The federal government has announced that it will be working with provincial and territorial governments to implement this program.

### **BC Reduction of School Property Tax Rate**

Last week, the Province of BC announced additional measures to assist businesses, by further reducing the school property tax rate for commercial properties. This measure is in addition to the previously announced 50% reduction in the provincial school property tax rate for Class 4, 5 and 6 properties.

The relief has been enhanced to apply to Class 4, 5, 6, 7 and 8 properties, and is expected to result in an average of a 25% reduction in the overall property tax bill for most commercial properties, allowing landlords to pass along these savings to their tenants.

The payment of property taxes can also be deferred until October 1, 2020.

The following table summarizes the reductions in the school tax rates released this week.

School Tax Rate per \$1,000 of assessed value					
	Class 4 Major Industry	Class 5 Light Industry	Class 6 Business Other	Class 7 Managed Forest	Class 8 Recreation and non-profit
Budgeted Rate 2020	3.72	3.72	3.72	1.87	2.29
March 23 Rate Reduction	1.86	1.86	1.86	1.87	2.29
April 16 Rate Reduction	Effectively 0	1.0561	1.1070	Effectively 0	0.7844
Tax cut as a % of total bill	4%	25%	25%	20%	25%