

To Our Valued Clients,

Some recent announcements by the federal government have resulted in material changes to their economic stimulus package. We want to keep you updated on these changes and our summary is outlined below.

Canada Emergency Wage Subsidy ("CEWS")

As previously announced, this program will provide a wage subsidy of up to 75% of wages paid to eligible employees (maximum \$847 per week per employee). The program was originally scheduled to run for 12 weeks from March 15 to June 6, 2020. The federal government has now announced that it will **extend that program by another twelve weeks** to that it will now run from March 15 to August 29, 2020. We anticipate that the reference periods for eligibility in each 4-week period forming part of the additional 12 weeks will be based on revenue declines in June, July and August 2020 (currently March, April and May 2020). The federal government has stated that they are reviewing the eligibility requirements, including the 30% revenue decline threshold, and may make changes to those requirements after consultation with key stakeholders.

Some other key changes to the CEWS program, all of which are retroactive to the commencement of the program:

- Partnerships whose members are not all qualifying entities can qualify provided that the fair market value of the interests of all non-eligible members does not exceed 50% of the total fair market value of all interests in the partnership
- Indigenous government-owned corporations and certain related entities will be eligible for the CEWS despite being non-taxable entities
- National-level Registered Canadian Amateur Athletic Associations will be included as eligible entities for purposes of the CEWS
- Registered Journalism Organizations will be included as eligible entities for purposes of the CEWS
- Private colleges and universities will be included as eligible entities for purposes of the CEWS
- Employers may choose March 1 to May 31, 2019 as the baseline remuneration period for any employee, rather than January 1 to March 15, 2020, in order to resolve issues with seasonal employees or those who took parental or other kinds of leave
- Employer corporations who have amalgamated will be able to use the combined revenues of the predecessor corporations for purposes of the revenue decline test, unless it is reasonable to consider that one of the main reasons for the amalgamation was to qualify for the CEWS

The federal government also excluded tax-exempt trusts from eligibility for the CEWS unless it is a registered charity or a prescribed public institution. These changes are not retroactive and will take effect in respect of the third qualifying period of the CEWS (May 10 to June 6).

Canada Emergency Response Benefit ("CERB")

The federal government has clarified that individuals who are shareholders in a private corporation and who receive **non-eligible dividends** may still qualify for the CERB if those dividends were at least \$5,000 in 2019 and they meet all of the other eligibility requirements. The federal government has also confirmed that individuals receiving the CERB can earn up to \$1,000 in employment or self-employment income (including non-eligible dividends) in each 4-week period without impacting their eligibility to receive the CERB.

Canada Emergency Business Account ("CEBA")

The federal government has announced that wage thresholds for eligibility for the CEBA (i.e. minimum \$20,000 maximum \$1.5 million in wages paid in 2019) can be met through the payment of dividends to shareholders of corporations, direct income earned by a self-employed individual, or payments to contractors. This expands the eligibility thresholds for applicants, but requires that the business have all of the following in order to qualify:

1. A business operating account at a participating financial institution;
2. A Canada Revenue Agency business number, and to have filed a 2018 or 2019 tax return; and
3. Eligible, non-deferrable expenses (e.g. rent, property taxes, utilities, and insurance) between \$40,000 and \$1.5 million.

The federal government has not provided additional details, such as whether or not all dividends will qualify (including eligible dividends). We anticipate those details will come in the near future.

Those businesses who qualify for the CEBA are eligible to apply for an interest-free loan from their participating financial institution for up to \$40,000. If the loan is spent on eligible expenses, up to 25% (\$10,000 maximum) of the loan principal will be forgiven if the loan is repaid on or before December 31, 2022.

Summary

Most of these changes are designed to provide additional support to individuals and businesses and are surely welcome news to many who find themselves suffering due to the ongoing COVID-19 pandemic. We will continue to keep you updated as new developments arise.

Thank you for your business!

Sincerely, Your JA Team