

# CLIENT ALERT

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## CANADA PROVIDES EXPANDED RELIEF TO ALL BUSINESSES RESPONDING TO COVID-19 PANDEMIC

by Daniel D. Ujcz

The Government of Canada has expanded the scope and criteria for companies seeking relief pursuant to the \$82 billion federal *COVID-19 Economic Response Plan*. Additional details will be provided during a press briefing to be held on Wednesday, April 1, 2020. Current parameters of the programs are as follows (all \$ in CAD):

### EMERGENCY WAGE SUBSIDY

Prime Minister Justin Trudeau has announced enhanced eligibility and coverage for the *Emergency Wage Subsidy*. The program includes:

- A 75% wage subsidy provided by the Government of Canada to companies for the first \$58,700 of an employee's earned wages. The subsidy is estimated to provide approximately \$847 a week per employee. Companies are encouraged to provide the remaining 25% in wages to the employee.
- The subsidy will be backdated to March 15, 2020, and extend for three months.
- Companies eligible for the subsidy will be required to demonstrate a 30% decrease in corporate revenues since the start of the pandemic. The assessment of the 30% revenue drop will be performed after the disbursement. In the event the decrease later is demonstrated to not have reached the 30% threshold, the company will have to repay the subsidy.
- The number of employees a company has will not determine eligibility (i.e., all companies are eligible regardless of size).
- The subsidy also will apply to nonprofits and charities.
- The company needs to be a Canadian-controlled private corporation (CCPC). CCPCs generally are privately-held/not publicly traded, incorporated in Canada and/or a province of Canada, and not controlled by any combination of non-residents of Canada and/or public corporations.
- The subsidy will be a direct payment to the company to pay the employee.

### CANADA EMERGENCY BUSINESS ACCOUNT

The Prime Minister also announced the new Canada Emergency Business Account program for small and medium-sized enterprises (SMEs) where banks will offer \$40,000 guaranteed, interest-free loans for one year. To qualify, SMEs and not-for-profits will need to demonstrate a total 2019 payroll between \$50,000 to \$1 million in total payroll. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000). The account will be implemented by eligible financial institutions in cooperation with Export Development Canada (EDC). Applications for the \$25 billion program will be issued by private financial institutions.

### CANADA ACCOUNT

EDC also will guarantee new operating credit and cash flow term loans that financial institutions extend to SMEs, up to \$6.25 million. The program cap for this new loan program will be a total of \$20 billion for export sector and domestic companies.

### BUSINESS CREDIT AVAILABILITY PROGRAM (BCAP)

BCAP will allow the Business Development Bank of Canada (BDC) and EDC to provide more than \$12.5 billion of additional support, largely targeted to SMEs. BDC and EDC will cooperate with private sector lenders to coordinate on credit solutions for individual businesses including in sectors such as oil and gas, air transportation, and tourism. The near term credit available to farmers and the agri-food sector will also increase by \$5 billion through Farm Credit Canada. BCAP generally requires companies to have been in operation for at least 2 years.

### GST, HST & CUSTOMS DUTIES RELIEF

Canada will defer Goods and Services Tax (GST), Harmonized Sales Tax (HST), and customs duties until June 2020. This is projected to be equivalent to \$30 billion in interest-free loans.

Regarding GST/HST, the Minister of National Revenue will extend until June 30, 2020, the period that:

- Monthly filers have to remit amounts collected for the February, March, and April 2020 reporting periods;
- Quarterly filers have to 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, have to 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 Border Services Agency will be issuing specific guidance regarding customs duties.

### CORPORATE TAX EXTENSIONS

The Canada Revenue Agency (CRA) will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020, and before September 2020. This relief would apply to tax balances due, as well as instalments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period.

CRA also will not contact any small or medium businesses to initiate any post-assessment GST/HST or Income Tax audits for the next month. For the vast majority of businesses, the CRA will temporarily suspend audit interaction with taxpayers and representatives.

The various Government of Canada Ministries and Departments will be issuing guidance on these programs over the coming days and posting information to the relevant website: <https://www.canada.ca/en/department-finance/economic-response-plan.html>.

Dickinson Wright's team is available to assist all companies seeking relief.

### ABOUT THE AUTHOR



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Please Note: These materials do not constitute legal or medical advice. Government initiatives, announcements, and regulations in response to the COVID-19 situation continue to evolve and change frequently.