



# COVID-19 – Business Options for Government Relief – Employers and Employees

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## General Comments

- Critically important to maintain records, as these will form supporting documentation needed to claim benefits, subsidies, and tax losses.
- Many of the reliefs are new and developing. This presentation is to give you a “snapshot” of the information available now.
- If you have questions in the future changes (as these programs develop), our contact information is on the guide.

## What is the Canada Emergency Wage Subsidy? (CEWS)

- 75% of employee’s remuneration for 12 weeks (starting Mar. 15)
- Maximum: \$847 per week
- Eligible employers:
  - Individuals
  - Taxable corporations (new language)
  - Partnerships comprised of eligible employers
  - Not-for-profits
  - Registered charities
- 30% decrease to “revenue”
  - Year-to-year basis (see next slide)
  - Usual accounting method
  - Normalized revenue

## **CEWS: What is Yet to be Announced?**

- Legislation expected soon
- Many unknowns
- Revenue test for not-for-profits and new businesses
- What about uncollected accounts receivable
- Application process
- How the funds will be paid to employers
- How the subsidy impacts payroll withholding taxes and remittances

## What is the Temporary Wage Subsidy?

- 10% subsidy on employee remuneration for 12 weeks (start Mar. 18)
- Maximum: \$1,375 per employee; \$25,000 per employer
- Eligible employers:
  - Individuals
  - Canadian-controlled private corporations with less than \$15M taxable capital employed in Canada
  - Partnerships comprised of eligible employers
  - Not-for-profits
  - Registered charities
- Received by reducing payroll income tax remittances

## CRA Tax Filing and Payment Deferrals

- Payment deferrals:
  - Personal income tax
  - Corporate income tax
  - GST/HST
  - **NO deferral on payroll remittance (except with subsidy)**
- Filing deferrals:
  - Personal income tax
  - Corporate, partnership and charities income tax
  - GST/HST returns
  - Information returns
- Audits suspended

## Loans and Deferrals Available to Businesses

- Decreased overnight interest rate (to 0.25%)
- Loan deferrals on mortgages and LOCs
- Canada Emergency Business Account (\$40,000, interest-free, 25% waive on repayment)
- Working capital loans available through BDC)
- Loan guarantees and co-lending term loans for SMEs
- Contact your financial institution directly

## Example: Single Owner Small Business

- Single owner operating a small business through a corporation
- 2 employees
- Annual revenue: \$500,000
- Annual payroll: \$125,000



## Example: Partnership or Corporation (medium)

- Partnership or corporation consisting of 3 professionals
- 2 admin staff, 4 professional staff, and 2 associate professionals
- Annual revenues: \$1,900,000
- Annual payroll: \$750,000 (incl. service agreement payments of associates)

## Example: Partnership or Corporation (large)

- corporation consisting of 4 owners running 5 stores
- 50 employees (including full time managers and part time sales staff)
- Annual revenues: \$8,000,000
- Annual payroll: \$3,500,000

## Options for Dealing with Employees

### Workplace Solutions

- Leaves of absence
- Temporary layoffs or terminations
- Reducing hours/wages/other compensation
- Use of vacation or banked time
- Federal Work Sharing Program

## Options for Dealing with Employees (cont'd)

### Government Assistance

- Federal Work Sharing program
- Wage Subsidy programs
- Supplemental Unemployment Benefit
- Part-time work combined with EI benefits
- Regular/sickness EI benefits
- Canada Emergency Response Benefit (CERB)

## Implementation – Leaves of Absence

- Employer Considerations
  - 14-day quarantine/self-isolation leave (unpaid)
  - Personal and Family Responsibility Leave (unpaid)
    - Care for children because school/daycare closed
    - Care for family member under quarantine
  - Sick Leave (paid or unpaid)
  - Record of Employment (interruption of earnings)

## Implementation – Leaves of Absence (cont'd)

- Employee Supports
  - Employer provided sick pay
  - Canada Emergency Response Benefit (CERB)
  - EI Sickness benefits

## Implementation – Layoffs

- Employer Considerations
  - Written layoff notice
  - Record of Employment (7 days without work and pay)
- What happens after 120 days?
- Extension with provision of benefits
- Risks – constructive dismissal
- Possible option – layoff then offer part-time work after 7 days no earnings

## Implementation – Layoffs (cont'd)

- Employee Supports
  - CERB
  - Regular EI benefits
  - Layoff followed by part-time work – reduced EI



## Implementation – Terminations

- Employer Considerations
  - Employment Standards Code – termination notice or pay
  - Additional severance as required by common law
  - Group termination considerations (50 or more employees in one location)

## Implementation – Terminations (cont'd)

- Employee Supports
  - CERB
  - Regular EI benefits

## Implementation – Other Workplace Options

- Employer Considerations
  - Reduction in wages/hours/other compensation
    - Risk – constructive dismissal
    - Messaging extremely important
  - Use of accrued vacation/banked time
    - May not solve cash flow issues
  - No employee entitlement to government support

## Implementation – Federal Work Sharing Program

- Employer Considerations
  - Equal distribution of reduced work between employees
  - Agreement of employees required
  - No waiting period
  - Employer must apply – 10 days to process
  - At least 6 weeks to max of 76 weeks
  - Private business, publicly held company or non-profit

## Implementation – Federal Work Sharing Program (cont'd)

- Employer considerations cont'd
  - Recent decrease in business activity – 10-60%
  - Year round business for at least one year
  - Demonstrate work shortage temporary
  - Employees must be permanent and eligible for EI
- Employee Supports
  - Days that employee does not work paid by EI
  - Does not reduce employee eligibility for regular EI

## Implementation – Supplemental Unemployment Benefit (SUB Plans)

- Employer considerations
  - EI top-up plan
  - Maternity/paternity and caregiver EI plan not required to be registered
  - Regular EI/sickness EI plan must be registered
  - Top-ups financed by employer
  - Total payment of top-up and EI cannot exceed 95% of normal weekly earnings

## Implementation – Supplemental Unemployment Benefit (cont'd)

- Employee considerations
  - Employee must be eligible for EI
  - Employee would not be eligible for CERB

## Canada Emergency Response Benefit (CERB)

- Launched April 6 – available Mar. 15-Oct. 3
- \$500/week for up to 16 weeks
- Must be at least 15 years old
- Stopped working b/c of COVID-19 (not quit)
- Income of at least \$5,000 in past 12 months
- Do not need to be otherwise eligible for EI



## Canada Emergency Response Benefit (cont'd)

- Expect to have no employment income for at least 14 days in initial 4 week period
- Subsequent 4 week periods – expect no income
- Can apply even if eligible for regular or sickness benefits

## Canada Emergency Response Benefit (cont'd)

- No requirement to be laid off/terminated
- Remain eligible for EI after end of CERB
- Does not affect EI entitlement
- Taxable but not at source
- Payments start within 10 days of application
- Retroactive to eligibility date

# Questions?



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