



FEDERAL COVID-19 ASSISTANCE FOR BUSINESSES

S|F SEGUIN FINANCIAL

INTRODUCTION

- Andrew Seguin – Founder of Seguin Financial
- Opened in January 2018
- First fully paperless and cloud-based bookkeeping and tax firm in SD&G



SPONSORED BY

- SDG Counties
- City of Cornwall
- Local Municipalities (North Stormont, North Dundas, North Glengarry, South Stormont, South Dundas, South Glengarry)
- MP Eric Duncan

WEBINAR OVERVIEW

- Canadian Emergency Response Benefit (CERB)
- Canadian Emergency Business Account (CEBA)
- Canadian Emergency Wage Subsidy (CEWS)
- Payment deferrals and new programs (GST/HST, Income Tax, WSIB, EHT, CECRA, NRC IRAP)

LEGAL DISCLAIMER

- Not intended to be legal advice
- Every business has its own unique characteristics and this webinar is a high level overview of all programs
- Please consult with your own bookkeeper and/or accountant
- Situation is extremely fluid and changing on a **daily** basis

CERB OVERVIEW

- The Canadian Emergency Response Benefit (CERB) officially passed legislation on March 24, 2020 (Bill C-13)
- The first major program to be released for individuals being impacted by COVID-19
- CERB had initial gaps but has had many improvements over the last four (4) weeks

CERB ELIGIBILITY

- \$500/week for individuals who have stopped working due to COVID-19
 - Note, this equates to \$2,167/month instead of \$2,000/month
- \$1,000 income threshold to be meet eligibility
 - Income includes employment, self-employment, non-eligible dividends
- Individuals must have had \$5,000 of income in the last 12 months or in 2019 to be eligible
 - Rental income does not count towards the minimum

CERB PAYMENTS

- Individuals will collect CERB even when EI benefits might be higher
 - EI maximum was \$587/week
- Individuals will collect CERB even when CERB is higher than their previous earnings
 - Part-timers who were making \$200/week can now be earning \$500/week
- CERB **is** taxable but not withholding at source like EI
 - I would advise to hold back at least minimum 20% (\$100) every week

CERB APPLICATION

- Individuals will apply every four (4) weeks beginning on March 15, 2020
- Benefit is available up until October 03, 2020
- Through CRA My Account or automated phone system (1-833-966-2099)

CERB FAQ

1. If I quit my job voluntarily, am I eligible for the CERB?
 - a. No. You must have stopped working due to COVID-19 (lay-off, sick, taking care of a family member, etc.)
2. If I lost my job before March 15th, am I eligible for the CERB?
 - a. Your claim will be processed under the pre-existing EI rules. However, if you are not eligible for EI, you may be eligible for the CERB.
3. What counts towards the \$1,000 of income?
 - a. Self-employment: **net income** (revenue - expenses)
 - b. Employment: wages, tips
 - c. Others: non-eligible dividends, royalties, etc.

CERB FAQ

4. What happens if I received a duplicate payment?
 - a. You will have to repay any CERB payment you received in error. This will be reconciled and audited next year.
5. Is the renewal process automatic?
 - a. No, you will have to reapply every four (4) weeks
6. Can I still be working while receiving the CERB?
 - a. **Current** legislation states that you are **not** working while receiving the CERB.

CEBA OVERVIEW

- The Canadian Emergency Business Account (CEBA) was announced on March 27, 2020
- The second major loan program after the BDC/EDC injection
- CEBA recently relaxed its eligibility requirement (payroll minimum/maximum from 2019)

CEBA ELIGIBILITY

- \$20,000 – \$1,500,000 on box 14 of 2019 T4 Summary
 - Box 14 = wages, commission, taxable benefits, etc.
- Must have had a business chequing account on or prior to March 01, 2020
- Canadian operating business as of March 01, 2020 and acknowledges that its intention is to continue to operate its business

CEBA AMOUNT

- \$40,000 0% interest line of credit (LOC)
- 25% is forgivable (\$10,000) if paid by December 31, 2022
- Each bank shows the figure in different ways (visa LOC, loan, etc.) through their online portal

CEBA APPLICATION

- Apply through your primary financial institution
- Funds **must** be used for to pay non-deferrable operating expenses (payroll, rent, utilities, insurance, etc.)
- It **cannot** be used to refinance existing indebtedness, dividends, or increases to management compensation

CEBA FAQ

1. If I didn't have \$20,000 in box 14, can I still apply?
 - a. No. At this moment, you must have had \$20,000 on box 14 of your T4 Summary. MPs and CFIB is putting pressure to expand this criteria again.
2. Can I use the CEBA to pay off my prior GST/HST debt?
 - a. No, this is not advisable. There could be severe penalties if an audit would to occur. It must be used to pay ongoing operating expenses.
3. What's the best way to use the CEBA?
 - a. I would recommend using the CEBA in partnership with the CEWS.

CEBA FAQ

4. Can I backdate a 2019 T4 today to show I had \$20,000 of wages?
 - a. This could be considered fraudulent, especially if you would not have done this before CEBA was announced.
5. How do I track CEBA spending?
 - a. Implementing an accounting solution would be helpful here to ensure the proper tracking of expenses against the CEBA.
6. Will the loan forgiveness be taxable?
 - a. Yes, the 25% (\$10,000) will be taxable once received.

CEWS OVERVIEW

- The Canadian Emergency Wage Subsidy (CEWS) officially passed legislation on April 11, 2020 (Bill C-14)
- The largest COVID-19 program (\$71 billion subsidy)
- The most difficult and complex program of them all
- Are you enjoying all of the acronyms? :)

CEWS EMPLOYER ELIGIBILITY

- Available to a large majority of businesses (exception: public institutions)
- Must have had a CRA payroll number on March 15, 2020
- Have experienced an eligible reduction in revenue

CEWS REVENUE ELIGIBILITY (#1)

- You must determine if your reduced revenue makes you eligible to apply for the CEWS
- **If you qualify for one period, you automatically qualify for the following period**
 - If you meet the revenue criteria for March 2020, you **automatically** get qualified for April 2020
- You have two options to choose from to determine your benchmark. This is where having a strong accounting solution will greatly assist you

CEWS REVENUE ELIGIBILITY (#2)

- the revenue you earned in the corresponding month in 2019, or
- the average of the revenue you earned in January and February, 2020



You must choose one of these baseline revenue options for your method of comparison and will not be able to change it for your subsequent calculations for the other 2 periods.

Period dates	Baseline revenue	Eligibility period revenue	Required reduction
March 15, 2020 to April 11, 2020	<ul style="list-style-type: none">• March 2019, or• Average of January and February 2020	March 2020	15%
April 12, 2020 to May 9, 2020	<ul style="list-style-type: none">• April 2019, or• Average of January and February 2020	April 2020	30%
May 10, 2020 to June 6, 2020	<ul style="list-style-type: none">• May 2019, or• Average of January and February 2020	May 2020	30%

CEWS REVENUE ELIGIBILITY (#3)

- Revenue is defined as items earned in Canada from:
 - Selling goods
 - Rendering services, and
 - Others' use of your resources
- Can use either accrual or cash basis accounting to determine revenue criteria
 - Cash basis = Based on when money is **received**
 - Accrual basis = Based on when earned (date of invoice)
- Special rule for Non-Profits and Charities

CEWS EMPLOYEE ELIGIBILITY

- Employed in Canada during the claim period **except** if there was a period of 14 or more consecutive days where they did not receive any pay (eligible remuneration) by the employer
 - If your final pay period was on March 27th, 2020 and you closed your doors, those employees had 15 days of no pay, therefore, not eligible
- You **can** retroactively hire and pay them back from March 15th and would meet the CEWS eligibility criteria
 - Interaction with CERB: Employees might be required to repay some or all of the CERB payments received.

CEWS ELIGIBLE REMUNERATION (#1)

- Eligible remuneration are amounts you paid an employee
 - Wages, salary, fees, commissions, taxable benefits, etc.
 - Anything you would normally remit source deductions
- You will need to determine their baseline remuneration
 - This is their **average** weekly remuneration **paid** between January 01, 2020 to March 15, 2020
 - Exclude any period of seven or more consecutive days for no remuneration

CEWS ELIGIBLE REMUNERATION (#2)

- The math behind the subsidy formula is **very complex**. Use the CRA spreadsheet ([click here](#))
- You can be reimbursed the CPP/EI employer contributions if your employees were **not** working and were paid
- A future spreadsheet walkthrough webinar can be available if there's interest. Reach out to MP Eric Duncan and his team
- Highly advised to speak with your bookkeeper and/or accountant

CEWS CRA SPREADSHEET

	B	C	D	E	F	G	H
1	Final values to input at step 2c on Canada.ca are displayed on the "Instructions and results" sheet after completion						
2	Number of employees in this batch	Total gross payroll amount for all employees in batch (select a claim period)		Includes		Claim period total for category*	
3	0			<ul style="list-style-type: none"> - arm's length employees that earn \$1,129.33/week or more for all weeks in the claim period; and - non-arm's length employees that have both pre-crisis average weekly gross pay (baseline) and current period weekly pay of \$1,129.33/week or more for all weeks in the claim period 		\$0.00	
4	0			<ul style="list-style-type: none"> - arm's length employees paid less than \$1,129.33/week with no reduction in pay since March 15th for all weeks in the claim period 		\$0.00	
5	employees	Bi-weekly gross pay during claim period		Employee amount (calculated)			
6	Average bi-weekly gross pay Jan 1 to Mar 15 2020*	2-week period 1	2-week period 2	Employee at arm's length*: yes/no	2-week period 1	2-week period 2	Claim period total for employee*
7		(select period in Instructions and results step 1)	(select period in Instructions and results step 1)		(select period in Instructions and results step 1)	(select period in Instructions and results step 1)	
8					\$0.00	\$0.00	
9					\$0.00	\$0.00	

CEWS APPLICATION

- Apply through either your CRA My Business Account, CRA Represent a Client (RAC) or a separate online portal
- Portals will open on Monday, April 27th
- You will have to attest that you have met the eligibility requirements
- Large fines, penalties and potential imprisonment for falsifying your application process
 - Fines: minimum 25% of amount received up to 225%.

CEWS FAQ

1. Can new hires be eligible for the CEWS?
 - a. Yes, as long as you meet the eligibility criteria, new hire wages are eligible through the CEWS.
2. Can shareholders (and family members) be eligible for the CEWS?
 - a. Yes, as long as there was payroll paid between January 1st - March 15th (baseline remuneration)
3. Will new businesses that opened up on March 1st be eligible?
 - a. Unfortunately, no. This is due to being pre-revenue and having no benchmark.

CEWS FAQ

4. If I had 14% revenue reduction, can I still apply?
 - a. No, the Federal Government is very strict on their requirements. Applying and receiving the CEWS would be considered fraudulent. There may be revisions in the near future.
5. As a sole proprietorship, is my income considered to be wages?
 - a. As a sole prop, owners cannot be paid via payroll as their earnings are based on the net income of the business. This is one large benefit of being incorporated during this time.
6. Will the CEWS be taxable?
 - a. Yes, all amounts received will be considered taxable income.

CEWS FAQ

7. Do independent contractors count as wages?
 - a. No, it has to be strictly T4 related employees.
8. Does my decline in revenue have to be related to COVID-19?
 - a. A decline in revenue **does not** need to be related to COVID-19
9. Is there a difference between accrual and cash basis?
 - a. Yes, a huge difference. Some of our clients were eligible under cash basis but not the accrual basis. Determination was possible via an accounting system in place.

CEWS FAQ

10. Does this mean it's possible to receive full reimbursement for some of my staff?
 - a. Yes, if you bring your staff back on at 75% of their pre-crisis remuneration, you could be subsidized for 100% of their wages.
11. Am I required to top-up the 25% difference if I bring my staff back on payroll?
 - a. The Federal Government has asked you to do so, when possible. "Best efforts".
12. How does this interact the 10% Temporary Wage Subsidy (TWS)
 - a. If eligible for both, you will reduce the CEWS by the TWS when applying.

ADDITIONAL PROGRAMS

- NEW: Canada Emergency Commercial Rent Assistance (CECRA)
 - New updates today! Funded jointly with provincial governments. Non-repayable loans to commercial property owners to cover 50% of rent payments for April, May, and June.
 - Loans will be forgiven if property owner agrees to cut rent by at least 75%. Small business will cover the difference (25%).
- Income tax filing (T1) deadline is now June 1st, 2020 with payment due on August 31, 2020

ADDITIONAL PROGRAMS

- GST/HST deferral. Payments that were due on or after March 27, 2020 is now deferred to June 30, 2020
 - Please ensure you file your GST/HST! This is only a payment deferral, not a filing deferral.
- Employer Health Tax (EHT) exemption has been increased to \$1 million for 2020. This is a potential savings of \$10,000/employer
- WSIB is allowing the deferral of both reporting and premiums up until August 31, 2020

ADDITIONAL PROGRAMS

- NEW: Additional CFDC funding is expected in the next few weeks. Be on the lookout for a webinar on this topic
- NEW: NRC IRAP Innovation Assistance Program (for small or medium-sized enterprises (SMEs) pursuing tech-driven innovation who is not eligible for the CEWS. Applications end on April 29, 2020

NEXT STEPS TO THINK ABOUT

- Our firm always recommends for every business to have a separate commercial bank account
- Depending on your business' structure, consider incorporating for future protection or program eligibility (CEWS, CEBA)
- If you do not have an accounting solution, reach out to a firm to assist you in implementing one
- Prepare to defend your applications (CEWS)

RESOURCES

- <https://www.covidsupports.ca/jimmcdonell/>
- [Bill C-13 \(CERB\) Legislation](#)
- [Bill C-14 \(CEWS\) Legislation](#)
- [SD&G and Cornwall Regional Business Survey](#)



QUESTIONS?

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