

Novel Coronavirus (COVID-19) Update: Federal and Provincial Government Relief Measures Available to Businesses

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This blog will provide an overview of the most significant federal and provincial relief measures to assist businesses and entrepreneurs in the face of the unique and pressing challenges presented by the current COVID-19 pandemic. While this blog provides the most up-to-date guide to help in navigating what relief may be available to you, we emphasize that the situation evolves daily. We continue to diligently monitor responses to the unprecedented challenges presented by this pandemic.

Federal Support for Businesses

Since unveiling the first phase of its economic response plan on 18 March 2020, the Government of Canada has provided additional particulars about the various relief measures in place. Details from the Federal Government about Canada's Economic Response Plan can be found [here](#).

Avoiding Layoffs

(i) Work-Sharing Program Extensions

Effective 15 March 2020 to 14 March 2021, the Government of Canada is extending the maximum duration of the Work-Sharing program from 38 weeks to 76 weeks. This program is offered to workers who, because of contingencies beyond the control of their employers, agree to reduce their normal working hours and share available work while their employer recovers. This is available to businesses with at least two workers who agree to reduce work by at least 10% to 60%.

(ii) Emergency Wage Subsidy

The Federal Government announced a 75% wage subsidy for qualifying businesses for the twelve-week period between March 15 and 6 June 2020. The subsidy is accessible to any business as well as charities and not-for-profits that have suffered at least a 30% decline in March, April, or May 2020, when compared to the same month in 2019. This 75% subsidy applies to the first \$58,700 that an employee earns, a benefit of up to \$847 per employee per week. Eligible remuneration may include salary and wages actually paid to employees. The policy behind the Emergency Wage Subsidy is to enable employers to re-hire workers previously laid off, keep those already on the payroll, and ultimately protect Canadian jobs. Additional details are forthcoming.

As well, employers who do not qualify for the 75% wage subsidy can still qualify for the 10% subsidy that was previously announced. The 10% subsidy provides a maximum of \$1,375 per employee and \$25,000 per employer.

Access to Credit

(i) Establishing a Business Credit Availability Program (BCAP)

On 13 March 2020, the Federal Government announced its establishment of the BCAP, intended to help Canadian businesses obtain financing. It is available to support access to financing for Canadian businesses across sectors and industries. Under the new BCAP, the Federal Government is to provide \$65 billion of additional lending through Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to businesses with viable business models whose access to financing would otherwise be restricted. The programs include:

- Canada Emergency Business Account: This will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs if revenues have been temporarily reduced as a result of the pandemic. To qualify, the business must demonstrate that it paid between \$50,000 and \$1 million in payroll in 2019.
- Loan Guarantee for Small and Medium-Sized Enterprises: EDC is cooperating with financial institutions to issue new operating credit and cash flow term loans of up to \$6.25 million to small and medium-sized enterprises. These loans will be 80% guaranteed by EDC, to be repaid within one year.
- Co-Lending Program for Small and Medium-Sized Enterprises: BDC is establishing a co-lending program with financial institutions to provide loans to small and medium-sized enterprises for their operational cash flow requirements. Eligible businesses can receive incremental credit amounts of up to \$6.25 million.

These programs are to roll out three weeks after 27 March 2020 and will be available through the financial institution with whom the business has a pre-existing relationship.

Financial Stability

(i) Insured Mortgage Purchase Program

The Federal Government launched an Insured Mortgage Purchase Program, in which it will purchase up to \$150 million of insured mortgage pools through the Canada Mortgage and Housing Corporation. This is intended to provide long-term stable funding to banks and mortgage lenders, help facilitate continued lending to Canadian consumers and businesses, and add liquidity to Canada's mortgage market.

(ii) Bank of Canada Support

The Bank of Canada is lowering interest rates, intervening to support key financial markets, and providing liquidity support for financial institutions. The Bank of Canada has expanded its buyback program for Government of Canada bonds and expanded purchases of Canada Mortgage Bonds. Additionally, it has thus far lengthened the term over which money is lent to banks, widened the collateral accepted to provide its lending, and expanded the list of eligible institutions that can access its lending. All of these measures are being implemented to prevent a sudden contraction in credit when it is most needed and ensure that Canadian companies can continue to rely on credit to pay their employees.

(iii) Lowering the Domestic Stability Buffer

The Office of the Superintendent of Financial Institutions announced that it is lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets effective immediately, so that the Domestic Stability Buffer will now sit at 1%. This adjustment will expand the lending capacity of Canada's banks, so that over \$300 billion of additional loans will be available to support Canadian businesses and households.

Extensions for Tax Payments

(i) Deferred Income Tax Payments

The Government is allowing businesses to defer any income tax amounts owing on or after 18 March 2020 and before September 2020. This relief applies to tax balances and installments due under part I of the *Income Tax Act*. It is intended to help businesses with their cash flow.

(ii) Deferred Sales Tax Remittance and Customs Duty Payments

In addition, businesses and self-employed individuals are allowed to defer payment of GST and HST as well as custom duties owing on imports until 30 June 2020. The deferral will apply to GST and HST remittances for the February, March, and April 2020 reporting periods for monthly filers; the 1 January 2020 to 31 March 2020 reporting period for quarterly filers; and for annual filers, the amounts owing for their previous fiscal year and instalments of GST and HST for the filer's current fiscal year. For GST and customs duty payments for imported goods, deferral will include amounts owing for March, April, and May.

Provincial Support for Businesses

On 25 March 2020, The Ontario government unveiled a \$17-billion aid package to help residents, businesses and the healthcare sector in response to the pandemic. The Government's action plan is making \$10 billion available in support for individuals and businesses through tax deferrals to improve cash flow and



protect jobs. There are numerous business supports in place. Relevant details about Ontario's Action Plan can be found [here](#).

\$6 Billion in Tax Deferrals

The Ontario Government is proposing a five-month interest and penalty-free period for businesses to defer payments for the majority of provincially-administered business taxes. This is to begin on 1 April 2020 and will continue for five months, until 31 August 2020. During the period, the Government will not apply penalties or interest on any late or incomplete filed returns or tax payments for certain taxes such as the Employer Health Tax, Fuel Tax, and Insurance Premium Tax. Businesses will not be required to provide any documentation supporting their reasons for late-filing or payments, nor are they required to advise the Ministry of Finance of their inability to meet the deadline. This is expected to make roughly \$6 billion available to improve cash flow for Canadian businesses.

Employer Health Tax

The Employer Health Tax (EHT) is a payroll tax paid by employers based on their total annual Ontario remuneration. Private-sector employers with total annual payroll of less than \$5 million are currently eligible for an EHT exemption on up to \$490,000 of their payroll. The Provincial Government is proposing to retroactively raise the EHT exemption from \$490,000 to \$1 million for 2020. Increasing the exemption to \$1 million would provide additional relief of up to \$9,945 per eligible employer. This is estimated to help 57,000 businesses.

Regional Opportunities Investment Tax Credit

In order to support business investment in regions with lagging employment growth, the Government is proposing a new 10% corporate income tax credit. This would be available to eligible Canadian-controlled private corporations outside of Ottawa and the Greater Toronto Area that construct, renovate or acquire qualifying commercial and industrial buildings. Qualifying expenditures are between \$50,000 and \$500,000 on properties classified as Class 1 or Class 6 for the purposes of capital cost allowance rules in the *Income Tax Act*. The credit can only be claimed on investments that become "available for use" after 25 March 2020. This credit can save businesses up to \$45,000 annually.

Workplace Safety Expenses under the Workplace Safety and Insurance Board (WSIB)

Furthermore, the Government together with WSIB will allow employers to defer WSIB payments for up to six months. This will provide employers with \$1.9 billion in financial relief. All employers covered by the WSIB's workplace insurance are automatically eligible for the financial relief package. No interest will be accrued on outstanding premium payments and no penalties will be charged during the deferral period.

Conclusion

Financial and economic responses by both levels of Government are ongoing in response to the ever-changing challenges posed by the current COVID-19 pandemic. To most accurately determine how government relief programs may assist your business during this challenging time, please do not hesitate to contact your trusted advisor at Gardiner Roberts.

(This blog is provided for educational purposes only, and does not necessarily reflect the views of Gardiner Roberts LLP).



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