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chartered professional accountants

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COVID-19

Impact on Businesses

Government of Newfoundland and Labrador Employee Subsidy

On April 29th the provincial government announced compensation for private sector employers for continuation of pay to employees who were required to self-isolate for 14 days due to the COVID-19 travel restrictions. This includes individuals who are self-employed. The maximum amount of funding under the provincial program will be \$500 per week for each employee to a combined maximum of \$1,000 per week for each employee when receiving both federal and provincial funding.

Employers should apply first for federal government funding under Canada Emergency Wage Subsidy (CEWS). The amounts paid under the provincial program will depend on the federal funding received.

Please refer to the following link for additional information regarding the provincial government program:



<https://www.gov.nl.ca/releases/2020/exec/0429n03/>





Federal Government Measures

Information about federal government subsidy programs continues to evolve as more direction becomes available from the Canada Revenue Agency (CRA). The following are updates that provide further clarity about the application process for the CEWS:

Canada Emergency Response Benefit (CEWS)

The application portal for the CEWS opened on April 27th providing dedicated CRA agents available to respond and provide guidance on the application of the program. A CEWS calculation tool has been provided by CRA and we are recommending the use of this tool to complete your CEWS calculations.

Some tips to remember when completing your application:

- Monthly and semi-monthly payroll employers are instructed to use the weekly payroll tab to calculate the benefit week. This will require that these payroll amounts be reported on a weekly basis for purposes of completing the application.
- Further clarification is available in the FAQ's on remuneration to be included in the CEWS. Previous government announcements indicated the benefits are to be calculated based on remuneration **paid**. This has been further clarified to define eligible remuneration as remuneration **paid in respect of the benefit period**. In calculating the CEWS, employers will have to ensure that remuneration paid includes only amounts for employment post March 15th.
- For employers eligible for the 10% Temporary Wage Subsidy, this amount, whether deducted or not from payroll remittances, is to be calculated and deducted from the CEWS subsidy claim. Employers have the option to claim this Temporary Wage Subsidy on monthly remittances or receive a refund of the total subsidy on preparation of the 2020 T4's.
- Currently, contract employees receiving T4A income are still excluded from this CEWS benefit calculation.

For more information on the CEWS please follow this link:



<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html#h-2>





Canada Emergency Business Account (CEBA)

While the topic of dividend payments paid to owners of a business being considered remuneration has been discussed, there has been no change in the criteria for qualifying for the CEBA. Therefore, only employers with T4 payroll in excess of \$20,000 and under \$1.5 million qualify. Dividends reported on T5's do not qualify as remuneration paid for this benefit.

Some highlights:

- 0% interest until December 31, 2022.
- No principal payments required until after December 31, 2022.
- Principal repayments can be voluntarily made at any time without fees or penalties.
- \$10,000 loan forgiveness is available, **provided outstanding balance is \$40,000 at December 31, 2020**, and \$30,000 is repaid between January 1, 2021 and December 31, 2022.
- If any part of the balance is not repaid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2023.
- The full balance must be repaid by no later than December 31, 2025.
- Note that if any repayment is made in 2020 that reduces the balance to below \$40,000, **there will be no loan forgiveness.**

For more information on the CEBA please visit:



<https://ceba-cuec.ca/>



Canada Emergency Commercial Rent Assistance (CECRA)



Details regarding the CECRA continue to evolve as businesses respond to the announced subsidy and issues with its application. Originally announced and directed towards landlords with mortgages, and providing a forgivable loan to cover 50% of three monthly rent payments, the benefit has been expanded with direction for landlords that do not hold mortgages on their properties to contact CMHC to arrange financing options.

Details on the benefit can be found here:



<https://www.canada.ca/en/department-finance/economic-response-plan.html>

Link to CMHC information regarding the subsidy can be found



<https://www.cmhc-schl.gc.ca/en/finance-and-investing/covid19-cecra-small-business>

Reminder of CRA Personal Tax Filing Deadline

Clients are reminded that the personal tax deadline is now June 1st and if they have not already done so, please forward personal tax information for completion. Payment of taxes owing is due September 1st.

Please note June 15 remains the personal income tax filing deadline for self-employed individuals.

We continue to provide services to our clients utilizing our secure remote access and encourage all clients to deliver their accounting records and personal income tax information as soon as it is ready. Our offices are currently closed to public access, however, we have established a drop-off and receiving area on the main floor of our building for those clients unable to provide documents to us in electronic format via our secure portal or via email.

Please note that due to the rate at which the various government programs are changing and being clarified, the information contained in this update reflects only the program information available as of the release date indicated above.

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