



**NOSEWORTHY  
CHAPMAN**

chartered professional accountants

February 15, 2021

# COVID-19

## FINANCIAL IMPACT REPORT

### HIGHLY AFFECTED SECTORS CREDIT AVAILABILITY PROGRAM (HASCAP)

HASCAP is a new loan program intended to assist the hardest hit businesses from all sectors via access to government guaranteed additional financing. Proceeds of the loan are meant to exclusively fund operational cashflow needs of the business and ensure a degree of continuity of operations.

Key loan features:

- Loan amounts available are between \$25K to \$1 Million per legal entity
- Up to 10-year repayment term
- 4% fixed interest rate
- Up to 12-month postponement of principal repayments at the start of the loan
- No personal guarantee will be required to secure the loan
- Program application period ends June 30, 2021



Eligible businesses are those that meet the following criteria:

- Be a commercial enterprise whose intent is to generate revenue from the sale of goods or services that is at least sufficient to cover its operating expenses and service its debt;
- Have been financially stable and viable prior to the current economic environment;
- Not have an impaired loan as of March 31, 2020 or as of the eligible loan closing date; and
- Have received, where eligible, payments from either the Canadian Emergency Wage Subsidy (CEWS) or the Canadian Emergency Rent Subsidy (CERS) and demonstrated a minimum 50% revenue decline for at least 3 months within the 8-month period prior to applying for HASCAP. The revenue decline does not need to have occurred in consecutive months.

The application process opened February 1, 2021 and companies should apply via their financial institution.

Additional information can be found using the following link:

<https://www.bdc.ca/en/special-support/hascap?ref=shorturl-hascap>

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## Temporary Adjustments to the Automobile Standby Charge for the 2020 and 2021 Taxation Years

The CRA announced on December 21, 2020 an alternative method to calculate the 2020 and 2021 vehicle benefit which is beneficial where there has been reduced business usage by an employee as a result of COVID-19.

In prior years, if the business use kilometers of an employer owned vehicle was more than 50% of the total kilometers, there was a reduction in the standby charge calculation.

Due to COVID-19, the employee's business use percentage may be less and therefore the employee would not qualify for the reduced standby charge. To accommodate for these situations, the CRA is allowing employees to use their 2019 auto usage figures to calculate the 2020 standby charge. Thus, if the business use was more than 50% in 2019, an employee will qualify for the reduced standby charge in 2020 and 2021.

Additional information can be found using the following link:

<https://www.canada.ca/en/department-finance/news/2020/12/temporary-adjustments-to-the-automobile-standby-charge-for-the-2020-and-2021-taxation-years-due-to-covid-19.html>



## Reminder of previously communicated upcoming deadlines and reporting requirements for 2020 related to employee T4's.

The full detailed communication of these topics, sent on January 20th, is available on our website's COVID-19 Info Centre at the following location:

<https://noseworthychapman.ca/info-centre/>

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### Changes to 2020 T4 Reporting by Employers

The CRA is requiring employers to include additional information on 2020 T4 slips.

For employers that paid wages during the period between March 15 and September 26, 2020, T4 slips issued to employees must include a breakdown of employment income paid as follows:

Code 57 – March 15 to May 9

Code 58 – May 10 to July 4

Code 59 – July 5 to August 29

Code 60 – August 30 to September 26

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### Requirement for the 10% Temporary Wage Subsidy Self-Identification Form for Employers (Form PD27)

The CRA requires all employers who qualified for both the TWS and the CEWS in the eligible period to file a Form PD27 for disclosure purposes. Even if the employer did not claim the TWS, they are still required to file the Form PD27 to ensure that they do not receive a discrepancy notice from the CRA.

PD27 filing should be completed by the T4 deadline of March 1, 2021.



## Home Office Expenses and Form T2200S (Declaration of Conditions of Employment for Working at Home Due to COVID-19)

Due to the anticipation of the potential administrative burden caused by issuing a large number of forms, the CRA has changed the personal income tax claim process for home office expenses by providing a temporary "flat rate" method, which will only apply for the 2020 taxation year. Eligible employees are those that worked more than 50% from home for at least 4 consecutive weeks in 2020 due to COVID-19.

Under the flat rate method, individuals who qualify can claim a deduction at a flat rate of \$2 for each day they worked from home to a maximum of \$400.

A form from your employer is not required to make a claim under the flat rate method.

The CRA has introduced Form T2200S, which is a simplified version of Form T2200, specifically for individuals who worked from home in 2020 due to COVID-19 and wish to claim home office expenses (work-space-in-the-home and supplies) under the "detailed method" and no other employment expenses.

For individuals who are seeking to claim additional employment expenses (e.g. motor vehicle expenses), Form T2200 is required.

Additional information can be found in our Home Office Tax Deduction Update located at <https://noseworthychapman.ca/info-centre/>

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*Please note that due to the rate at which the current COVID-19 situation is changing, and the response by government to feedback on its initiatives, the information contained in this update is accurate as of the release date indicated above.*

