

TAXTALK

Updates to COVID-19 Tax Measures – October 23, 2020

On October 9, 2020, the Government of Canada announced intentions to introduce new, targeted supports to help hard-hit businesses and other organizations experiencing a drop in revenue. The government plans to introduce legislation in the coming days in order to provide the following support:

New Canada Emergency Rent Subsidy (CERS)

- The new CERS replaces the Canada Emergency Commercial Rent Assistance (CECRA) program and will provide rent and mortgage support until June 2021.
- The rent subsidy will be provided directly to tenants instead of through the property owner as in the CECRA program.
- CERS will provide a sliding scale of support for up to 65% of eligible expenses until December 19, 2020. A business will qualify for a 65% subsidy if revenues drop by at least 70%; a lesser drop in revenues will result in a smaller subsidy. A business can claim a maximum of \$75,000 of eligible expenses per location, but this amount is capped at \$300,000 across all business locations.
- In addition to the 65% CERS, a top-up of 25% will be available for organizations temporarily shut down by a mandatory public health order issued by a qualifying public health authority.
- The criteria to apply will be available as soon as the government opens up the application process. We will advise further once we know more.

The new CERS program is a follow up to the CECRA program that was announced in May 2020 and ran until September 30, 2020. The CECRA program provided a 75% reduction to the monthly gross rent of eligible businesses who experienced a 70% drop in pre-COVID revenues. The program required the landlord to reduce the eligible tenant's rent by 75%. The landlord would then receive a forgivable loan to cover 50% of the monthly gross rent payments by the eligible tenant, resulting in a net cost to the landlord of 25%.

Extension of the Canada Emergency Wage Subsidy (CEWS)

- The CEWS program has been extended until June 2021. The subsidy is expected to remain at the current subsidy rates of up to a maximum of 65% of eligible wages until December 19, 2020.

This is the second extension to the CEWS program. The last extension was announced on July 17, 2020, when the government released details in respect of the redesigned CEWS program where a base subsidy is available to all eligible employers that are experiencing any decline in revenues, with the subsidy amount varying depending on the scale of revenue decline. A top-up subsidy is also available on a sliding scale of up to 25% for those employers that have experienced more than 50% revenue decline.

Extension of the Canada Emergency Business Account (CEBA)

- The CEBA will be expanded, which will enable businesses and not-for-profits eligible for CEBA loans to access an interest-free loan of up to \$20,000, in addition to the original CEBA loan of \$40,000.
- Half this additional financing (\$10,000) will be forgivable if repaid by December 31, 2022.
- The application deadline for CEBA is being extended to December 31, 2020. Further details, including the launch date and application process will be announced shortly.

Further details on the CERS and extension of the CEWS and CEBA will be announced by the government in the coming days.

Canada's COVID-19 Economic Response Plan Web Portal

The federal government has set-up the following **COVID-19 Economic Response Plan** web portal that summarizes all previously announced measures and future updates to these measures.

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

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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