



**This summary is updated as of April 16, 2020**

## **Responses from Hardy, Normand & Associés L.L.P. to questions about the Government's COVID-19 Economic Package**

The following summary has been prepared based on information available on Government of Canada websites. Please note that the information available is evolving and consequently, **the summary is provided to you for informational purposes only and is not intended to provide specific advice of a financial, tax, legal, accounting or other nature. This information cannot, under any circumstances, be used as evidence for the purpose of claiming any amount.**

For more details on the measures outlined below, please visit the applicable Government of Canada websites. You are encouraged to also contact your own professional.

### **CERB and Dividends**

In the April 6 publication of responses by Hardy, Normand et Associés, there was a suggestion to sign up for a payroll number and pay a \$5000 salary starting in April. Are there any anticipated changes coming to CERB for incorporated dividend income earners or is the above my best option to qualify for CERB?

Based on a Q&A on the Canada Revenue Agency's (CRA) website on April 6, a shareholder who has received dividends is eligible for the CERB. The Q&A indicates that the dividend must be a non-eligible dividend (generally, those paid out of corporate income taxed at the small business rate). We understand from the terminology that it means a dividend other than eligible dividend. In the absence of a formal announcement on this matter, we called Finance Canada for more details and were advised that confirmation of details were dependent on legislation, which has not yet been tabled. Consequently, we have no more details regarding shareholders having received dividends beyond the Q&A available on the CRA's website.

## **\$40,000 CEBA Loan**

I am not sure if this detail was forwarded to the Federal government? The 40k loan will only be available to practices whose payroll is btw 50-100k. Mine is ~45k because my secretary only works four days. Can you please clarify if this payroll requirement is still in place?

When the question was asked, the payroll in 2019 needed to be between \$50,000 and \$1,000,000 to access this free interest loan. Minister Morneau announced on April 8<sup>th</sup> that the Canada Emergency Business Account should be available in banks beginning on April 9. To access this program, businesses should start working on their 2019 financial reports. If the loan is repaid by December 31, 2022, it would result in a 25% loan forgiveness (up to \$ 10,000). However, on April 16<sup>th</sup>, Prime Minister Trudeau announced that this loan is now accessible to employers whom their 2019 payrolls was between \$20,000 and \$1,500,000. You should now be eligible for the loan.

## **Unpaid Work and Corporation**

Just confirming if I continue seeing ER's and bill 402's if the money is going to the corporation, do I qualify for CERB? No money is going to me personally.

Previously, in order to be eligible for the CERB, you must have ceased working due to COVID-19. However, as per the announcement made on April 15<sup>th</sup> by Prime Minister Trudeau, the Government is expanding access to the eligibility rules to allow people to earn up to \$1,000 per month while collecting the CERB. This means that optometrists who are still working but earning minimal income would now be eligible for the CERB. We have not obtained more details regarding optometrists who would earned income through a corporation, but we believe if the income earned in the corporation is less than \$1,000 per month and no other income is received personally, the optometrist would personally be eligible to claim the CERB. These changes will be retroactive to March 15, 2020. Again, more details will be available shortly.

## **Unpaid Work and Minimal Income**

I was told that if an office is answering questions for patients / ordering contact lenses for clients. This shows that you are working. A direct result would be that an optometrist that answers client emails without no income or minimal income from helping clients would not qualify for the CERB. Is this correct.?

Since the announcement of April 15<sup>th</sup>, we believe you would now be eligible.

To qualify, I would have to ignore emails or leave clients with no way to order lenses is NOT something any caring optometrist could do or should do. All employees have been given Records of Employment (ROE) and are not working.

We refer you to the question above. As per the announcement made on April 15th by Prime Minister Trudeau, the Government is expanding access to the eligibility rules to allow people to earn up to \$1,000 per month while collecting the CERB. This now means that still working and earning no income or minimal income would not disqualify you to the CERB. We believe more information will be available to help us interpret this new measure.

### **75% Wage Subsidy**

I have three staff members who went on temporary layoff after March 15th due to COVID-19. The initial intent was for them to simply be able to collect employment insurance. I understand if they applied for employment insurance but their claim hasn't been processed yet the claim will automatically be processed through the Canadian Emergency Response Benefit and receive \$500 per week.

Yes.

With the 75 percent Canadian emergency wage subsidy am I "supposed to" or obliged to rehire workers previously laid off? Obviously, I have no work for them, can they simply stay at home, collect a full salary or do I have to have them in the office and split the time between staff?

In order to be eligible for the 75% wage subsidy, your income must have decreased by 15% for March and 30% for April and May. This measure is to help the economy bounce back once a post-COVID-19 situation has been established.

You are not obligated to rehire your staff. It is a measure to encourage employers to support the economy. It is now possible to rehire your employees and pay them even if they are not working. Minister Morneau announced on April 8<sup>th</sup> that employers eligible for the 75% wage subsidy would also receive a refund of their EI and CPP contributions (employer portion) for the salaries paid to temporarily laid off employees (who are paid but do not work).

The decision to rehire your staff is a personal one (and a collective contribution). Doing so and using the wage subsidy would allow your employees to have their salaries to support their families.

I have incorporated. Due to COVID my income is significantly down. As a corporation can I apply for the 75% wage subsidy so the corporation can continue to pay me?

If your corporation income has decreased by 15% for March and 30% for April and May, your corporation would be eligible for the 75% wage subsidy. Special rules were put in place for employees dealing at arm's length with their corporation. For the purpose of calculating the subsidy, the weekly salary that was paid to this employee (in the stated situation: you) before the crisis will be considered. This way, the CRA is making sure you don't increase your salary only to take advantage of the government subsidy. Note that the subsidy will be added to your corporation income.

### **CERB and Date with No Income**

I am planning to apply for the Canada Emergency Response Benefit (CERB) tomorrow morning. I closed my office on March 18th and the last income deposit to my bank account was made on March 20th. Since then, I have received no payment nor billed for any service. In applying for CERB, would I use March 21st as the date I stopped working which is consistent with the first date that no income was received?

As per the announcement of April 15<sup>th</sup>, our answer is now different than what it would have been last week. Depending on the amount that was received on March 20<sup>th</sup>, you may be entitled to the CERB.

There is 7 "4-week period cycle" for the eligibility to the CERB:

<b>4-week period cycle</b>	<b>Period dates</b>
1	March 15, 2020 to April 11, 2020
2	April 12, 2020 to May 9, 2020
3	May 10, 2020 to June 6, 2020
4	June 7, 2020 to July 4, 2020
5	July 5, 2020 to August 1, 2020
6	August 2, 2020 to August 29, 2020
7	August 30, 2020 to September 26, 2020

We learned on April 15<sup>th</sup> that the expanded access to the CERB now allows people to earn up to \$1,000 per month while collecting the CERB. As per this announcement, if you have not earned more than \$1,000 for the month you would be eligible to the first eligible period. However, no specification was made on what constitutes the month. For example, is it for the month of March or for the 4 week-period cycle?

Assuming you stopped working on March 15 and the amount received on March 20 was the last one you received, you would be eligible to the CERB for the first period since you did not work and received income for 14 consecutive days within the first period (i.e. from March 21<sup>st</sup> to April 11 = 22 days). The new measure announced does not change your eligibility. When doing your application, you will also have to attest that you don't expect to have employment or self-employment income for the subsequent benefit periods.

### **Partnership Income and the Canadian Emergency Wage Subsidy**

As you may already know, optometrists in Manitoba cannot currently incorporate their optometric services (the only province). This means that many group practices have a structure that is a partnership (not a corporation). Our partnership income comes in the form of draws. In our discussions with accountants, it appears that this income would be ineligible for CEWS. Can you please confirm that partnership income would not be eligible for the CEWS?

Yes, a draw from a partnership is not considered a salary and therefore, ineligible for remuneration via the CEWS.

### **10% Wage Subsidy vs. 75% Wage Subsidy**

Does the 10% Wage Subsidy still exist? If it does – can you please explain the differences between the 10% wage subsidy and the 75% subsidy and whether or not a business would be able to apply to both?

The **10% wage subsidy** is still in place and we believe easier to access. The 10% wage subsidy is an application for salaries paid after March 18<sup>th</sup>. It is a three month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA.

## **Requirements**

In order to qualify for this subsidy, employers must have an existing business number and payroll program account with the CRA on March 18, 2020 and you need to pay salaries. As stated, the subsidy is equal to 10% of the remuneration you pay from March 18 to June 19, up to \$1,375 per employee to a maximum of \$25,000 per employer.

## **How employers will benefit from the subsidy**

To determine the amount of the subsidy, calculate:

The number of employees X their salaries = total payroll

Total payroll X 10 % = subsidy eligible for the period

## **Example:**

If you have 5 employees to whom you each pay a monthly salary of \$4,100, for a total payroll of \$20,500, the subsidy will be equal to 10% of \$20,500, namely \$2,050 for the period. If you have withheld less than \$2,050 of income tax deducted at source, you can only reduce your remittance of the amount withheld.

**Important: Do not forget that the subsidy is limited to \$1,375 per employee. The maximum subsidy per employee is equal to a remuneration of \$13,750 for 3 months.**

You don't need to apply for the subsidy. The subsidy will be calculated when you remit the deducted income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from salary to the CRA. Once you have calculated your subsidy, you can reduce your current payroll remittance of federal, provincial, or territorial **income tax** that you send to the CRA by the amount of the subsidy. **You cannot reduce your remittance of CPP contributions or EI premiums.**

The 10% subsidy will be added to your income.

## **75% Wage Subsidy (CEWS)**

The **75% wage subsidy** is available for a period of 12 weeks from March 15 to June 6, 2020. This measure was put into place to help employers keep and return workers to their payroll due to the challenges posed by the COVID-19 pandemic.

## **Requirements**

To access this subsidy, a decrease of 15% of your revenue is required for March and a decrease of 30% is required for April and May in order to determine if your revenue have decreased, you can:

- 1) Compare March 2020 with March 2019 or;
- 2) Compare the average revenue of January and February 2020 with March 2020

Note that the same method will need to be used for each month you apply for the subsidy.

<b>Period</b>	<b>Claiming period</b>	<b>Required reduction in revenue</b>	<b>Reference period for eligibility</b>
<b>Period 1</b>	March 15 to April 11	15%	March 2020 over:  March 2019 or Average of January and February 2020
<b>Period 2</b>	April 12 to May 9	30%	April 2020 over:  April 2019 or Average of January and February 2020
<b>Period 3</b>	May 10 to June 6	30%	May 2020 over:  May 2019 or Average of January and February 2020

Given the delay between the time the income is earned and the time it is collected, it will be possible for employers to measure their income either using the accrual method or the cash accounting method. The same method should be kept for the following months.

## **Amount of Subsidy**

The subsidy represents 75% of the remuneration paid, up to a maximum of \$847 per week per employee. It represents an annual salary of \$58,700 ( $\$58,700 \times 75\% / 52$  weeks). Except for the limit of \$847 per employee, there is no maximum amount regarding the total subsidy received by the employer.

The employee should not have been without remuneration for more than 14 consecutive days during the period of eligibility, from March 15 to April 11, from April 12 to May 9 and from May 10 to June 6.

***How employers will benefit from the subsidy***

For a requested period:

The highest of the following amounts:

- 75% of the remuneration paid, up to a \$847 subsidy per employee per week or
- The least of:
  - The amount of remuneration paid to the employee
  - 75% of the average weekly remuneration paid to the employee during the period that begins on January 1, 2020 and ends on March 15, 2020, excluding any period of seven or more consecutive days for which the employee was not remunerated
  - \$847

***Example 1:***

Weekly salary paid before crisis: \$800

Weekly salary paid during the crisis: \$800

The amount of the subsidy will be: \$600 (75% X \$800)

***Example 2:***

Weekly salary paid before crisis: \$800

Weekly salary paid during the crisis: \$650

The amount of the subsidy will be: \$600 (75% X \$800)

***Example 3:***

Weekly salary paid before crisis: \$800

Weekly salary paid during the crisis: \$550



The amount of the subsidy will be: \$550 (restricted to the salary paid)

### ***How to Apply***

Eligible employers would be able to apply for the CEWS through the Canada Revenue Agency's *My Business Account portal*. In the announcement of April 15<sup>th</sup>. We learned that if an employer meets the condition for a particular qualifying period, then he is deemed to have met the conditions in respect to the immediately following period. However, we believe the attestation will still be needed. Indeed, the Act states that when doing the application, the individual who has principal responsibility for the financial activities of the entity will have to attest the application is complete and accurate in all material respects.

As per the announcement, the portal should be online in 3 to 6 weeks. Payments may also take from 3 to 6 weeks.

Note that the subsidy will be added to your business income.

### ***Interaction with 10 per cent Wage Subsidy***

For employers that are eligible for both the CEWS and the 10% wage subsidy for a period, any benefit from the 10% wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the CEWS in that same period.