



This summary is updated as of April 29, 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.

My optometry practice is operated as a sole proprietor and am not incorporated. I saw a report from cbc.ca that indicated that sole proprietors may not qualify for the small business loan (CEBA) even if you meet the payroll requirements. If you are incorporated and meet the employee payroll requirements you will qualify. Please provide guidance/clarity on this issue.

The Canada Emergency Business Account (CEBA) is available to businesses that meet the following requirements, whether they are operated by an individual as sole proprietor or by a corporation. More precisely, the federal government requires the business to be a Canadian operating business in operation as of March 1, 2020, to have a federal tax registration and to have a total employment income paid in 2019 between \$20,000 and \$1,500,000 (requirements expanded on April 17). The Borrower also needs to have an active business chequing/operating account with the Lender, which is its primary financial institution.

Therefore, this last requirement might not be met by all businesses run by sole proprietors.

I am an optometrist who has been in practice for some 30 years. I am the sole owner of the practice. More than 20 years ago I closed my business account to reduce fees and just did all my banking through a regular checking account. My last years office payroll was over \$50000. As well I have associates to whom I paid over \$100000 on contract. Is there any way that I can get the current business help from the Canadian government? The lack of an actual Business (banking) Account is the problem.

As provided in our answer to Question 1, since you have closed your business bank account, you would not be eligible.

However, you may be eligible to other financial support measures such as the Temporary Wage Subsidy for Employers (already available) and CEWS, the application for which became available on Monday, April 27. Please refer to our previous Q&A for more details on those financial measures.

In our practice there are 3 Optometrists, each with their own Professional Corporation. We each pay ourselves a salary and would qualify for CEWS.

We are not partners but rather share the office space and expenses and as such share in the costs which includes share staff salaries. Right now we have 14 employees.

Instead of each of us giving each staff member a pay cheque we set up a joint account which pays their salaries as well as joint office expenses - EG heat, hydro etc. Each month all three of us transfers money from our joint account into this joint account. This account has a business number with an RP attached to it but not a RC as we have never needed that. This account does pay Revenue Canada all of the staff salary deductions.

My question is do we still qualify to apply for CEWS for our staff?

In these circumstances, we believe you are not qualified to apply for CEWS for your staff.

Indeed, although you meet the requirement of having an RP account with the CRA, you will most likely be unable to prove a 30 % (or 15% for March) reduction of revenue. In your case, since you are not a partnership, the account that pays salaries only has expenses and produces no income. Therefore, it has never had any revenue and cannot experience an eligible reduction in revenue. One of CEWS' criteria is thus not respected.

Also, we assume you and your colleagues deal at arm's length, which prevents you from considering the income generated in your professional corporations for the reduction of revenue.

In sum, we do not think you can apply for CEWS for your staff.

I need some clarification regarding the CEWS Grant calculation examples #2 & 3. I understood it as the government will subsidize up to 75% of the pre-crisis weekly salary unless the crisis weekly salary is equal or less than the 75% pre-crisis amount. Then the salary will be subsidized entirely.

That is correct.

We will apply those steps to Ex. 3 to which you are referring:

The facts are as follows:

Weekly salary paid before crisis: \$800

Weekly salary paid during the crisis: \$550

- 1) The first step is to determine 75 % of the current weekly salary: $75 \% * \$550 = \412.50 .
- 2) The second step is to identify the lowest of the following amounts:
 - a. 75 % of the pre-crisis weekly salary: $75 \% * \$800 = \600 .
 - b. 100 % of the current crisis weekly salary: $100 \% * \$550$.

The lowest amount of the two is \$550.

- 3) The third step and conclusion is to choose the highest amount of Step 1 or 2. In this example, the highest amount is \$550.

The amount of the subsidy will be \$550.

Therefore, in the scenario where 100 % of the crisis weekly salary is lower than 75 % of the pre-crisis weekly salary, then the subsidy will indeed cover 100 % of the crisis weekly salary since the amount calculated in 2) will be higher than the one calculated in 1).

RE CEWS and qualifying periods: We are incorporated and pay each our doctors a gross monthly salary of \$4,750; typically mid-month. The last payment was received on March 13, 2020. We plan on paying our next monthly salary mid-April. So, the payment of salary for March was not paid within the first qualifying period, does this disqualify us from receiving CEWS for that period? Assuming it does not...does each doctor state that their salary received during this period was \$4,750?

Our understanding is that you have paid your doctors on March 13 for the work performed during the month of February. Since February 1 to February 29 is not a period covered by CEWS, the March 13 pay is not a remuneration eligible for CEWS.

Following the same logic, the pay allocated on April 13 would cover work performed from March 1 to March 31. Since only March 15 to March 31 (inclusively) is an eligible period for CEWS, you will need to adjust the pay on pro-rata basis.

For instance, the monthly pay is \$4,750, pro-rated over 17 days out of 31 in March = approx. \$2,605. Such an amount would be eligible remuneration for CEWS (please be reminded that CEWS has a limit of \$847 per week).

In sum, our understanding is that, when analyzing qualifying periods, we must look at when the work was performed and not when it was paid.

According to our first answer, we do not believe your second question applies. In general, keep in mind that the pay received should be "attributed" and spread over the period for which work was performed.

RE CEWS ... Is it possible to only pay 75% of a person's salary and have the wage subsidy cover 100% of that?

Yes, in order for the CEWS to cover 100% of current weekly salary, it must be 75% or less of the pre-crisis weekly salary.

As mentioned in response to a previous question, two sums are to be compared when calculating CEWS:

- 1) Firstly, you determine what represents 75 % of the current weekly salary.
- 2) Secondly, you determine which is the lowest amount between 75 % of the pre-crisis weekly salary and 100 % of the crisis weekly salary.
- 3) Thirdly, you choose the highest of the amounts determined in 1) or 2).

Conclusion: In the scenario where 100 % of the crisis weekly salary is equal or lower than 75 % of the pre-crisis weekly salary, then the subsidy will indeed cover 100 % of the crisis weekly salary since the amount calculated in 2) will be equal to or higher than the one calculated in 1).

RE CEWS...Is it necessary for an employee, receiving wages, to stay at home in order for the business to qualify to have the employer's portion of CPP and EI reimbursed.

Yes. The employee must not be working and had to received wages for the employer to be eligible to CPP and EI reimbursements.

RE CEWS...Is revenue decrease equivalent to gross revenue/gross business income decrease

Yes. For CEWS, the revenue reduction is calculated on gross income, not net.

The calculation of income decrease depends on the selected accounting method. Also, you may choose to compare your March 2020 gross income with either March 2019 gross income (March 2020/March 2019) or the average of January and February 2020 gross income (March 2020/Average of January & February). If March 2020 gross income is 15 % lower than its comparison, you will meet this criteria for CEWS. For April and May, the eligible decrease in revenue is 30 %.

If you determine that you qualify for the CEWS for one claim period, you will automatically qualify for the following claim period.