



# Guiding businesses through the response to COVID-19:

## Outline of support programs

**PRESENTED BY**

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# Team introductions



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# A look at the landscape

## Help for businesses

- Canada Emergency Wage Subsidy (CEWS)
- Temporary Wage Subsidy (10%)
- Work-Sharing Program
- Corporate tax filing / remittance deferrals
- Canada Emergency Business Account (CEBA)
- Business Credit Availability Program (BCAP)
- Cash flow management

## Help for individuals

- Canada Emergency Response Benefit (CERB)
- Personal tax filing / remittance deferrals

# Help for businesses:

## Wage subsidies

- Canada Emergency Wage Subsidy (CEWS)
- Temporary Wage Subsidy
- Work-Sharing Program



# Canada Emergency Wage Subsidy (CEWS)



Help business keep and return workers to their payroll (75% wage subsidy)

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*Most significant of the support programs, also the most complicated.*

**EXTENDED**



# Canada Emergency Wage Subsidy

## At a glance

- 75% of eligible remuneration on the first \$58,700 of salary/employee (maximum \$847/week)
- No overall limit employer can claim
- Must apply each month for the subsidy
- Pay employee wage first, then apply for CEWS
- To run March through May, three months total





# Canada Emergency Wage Subsidy

## Who is eligible to apply?

- An individual (i.e. sole proprietorship)
- A taxable corporation
- A registered charity, other than a public institution
- A non-profit organization, other than a public institution
- A partnership, all of the members of which are described in 1-4, or
- A prescribed organization





# Canada Emergency Wage Subsidy

## How does an eligible entity qualify?

- Must see a decrease in revenues in the ‘current reference period’ as compared to a ‘prior reference period’
- Qualifying revenues =  
cash/consideration received in the  
course of ordinary activities in Canada  
  
“...generally from the sale of goods, the rendering of  
services and the use by other of resources”

**15% decrease**

March 2020

**30% decrease**

April or May 2020





# Revenue Method Selection

**Normal accounting practices (e.g. accrued method)**

**Cash method (e.g. cash received)**

# Revenue for Affiliated Groups

Entity by entity

Consolidated

**"Affiliated"** would generally refer to a person and their spouse/common-law partner as well as any corporations controlled by any combination of those same individuals and/or other affiliated corporations"



# Canada Emergency Wage Subsidy

## Example

Compare...	To...	
	METHOD 1	METHOD 2
March 2020 revenues	March 2019 revenues	Avg. of January and February 2020
April 2020 revenues	April 2019 revenues	Avg. of January and February 2020
May 2020 revenues	May 2019 revenues	Avg. of January and February 2020



# Canada Emergency Wage Subsidy

## Qualifying periods

Period	Reference period	Eligible for prior period	Qualifying period – claim subsidy for wages related to:
1	March 2020	n/a	March 15 – April 11, 2020
2	April 2020	Eligible for period 1	April 12 – May 9, 2020
3	May 2020	Eligible for period 2	May 10 – June 6, 200



# Canada Emergency Wage Subsidy

How is it calculated? The greater of 1 or 2:

1. The lesser of:

- 75% of the remuneration paid per week, and
- \$847/week

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2. The least of:

- The amount of remuneration paid per week,
- 75% of the employee's pre-crisis wages, and
- \$847/week

## General rule

Eligible remuneration includes amounts from which the employer would be required to withhold tax on





# Canada Emergency Wage Subsidy

## Access and other considerations

- Applications now open (as of April 27, 2020)
- Pay employee wages first, then apply for CEWS
  - Employer must ensure that it collects any applicable CPP, QPP, QPIP or EI from the employee and remits both the employee and employer portions





# Canada Emergency Wage Subsidy

## How to apply

- 1 Apply using My Business Account on CRA website
- 2 Utilize a business representative to apply on your behalf
- 3 Use the Web Forms application with web access code





# Temporary Wage Subsidy (10%)



Provides savings to employers by reducing the amount of income tax remittance on workers' wages

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*Consider this wage subsidy if not eligible for CEWS.*





# Temporary Wage Subsidy (10%)

## Program basics

- Maximum of \$1,375 for each employee; \$25,000 total for employer
- Covers time period from March 18<sup>th</sup> to June 20, 2020
- Can only be applied against income taxes (not CPP/EI remittances)
- If employer chooses NOT to reduce remittances during the year, can still apply and:
  - Request payment at the end of the year, or
  - Transfer the subsidy to next year's remittance





# Work-Sharing Program



Designed to help employers avoid layoffs when there is a temporary reduction in the normal level of business activity, beyond the control of the employer

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- *Agreement between **Employer** + **Employee** + **Service Canada***
- *Pre-existing program*



# Help for businesses: Corporate tax filings and remittance deferrals





# Corporations

- Filing extension to June 1, 2020 for tax year ends otherwise due between March 19, 2020 and May 31, 2020
- Balance due date extension to September 1, 2020 for Part I tax due on or after March 18, 2020
- 2020 instalments extension to September 1, 2020 for Part I tax instalments due for March 2020 to August 2020





# GST/HST and duties



All businesses can defer remittances of GST/HST, custom duties, and GST on import until June 30

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<b>Monthly filers</b>	February, March, April remittances
<b>Quarterly filers</b>	Remittances for January 1 – March 31
<b>Annual filers</b>	Instalments or amounts due in March, April or May
<b>Custom duties / GST on imports</b>	March, April, May





# Help for businesses: Canada Emergency Commercial Rent Assistance





## Canada Emergency Commercial Rent Assistance (CECRA)



# 75% of rent forgiveness for small business tenants

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*Available for April, May and June 2020*





## Canada Emergency Commercial Rent Assistance

### How it works

- Available to commercial property owners
- Forgivable loan to landlord for 50% of rent
- Loan forgiven if landlord provides at least 75% rent forgiveness to qualifying tenants
- Tenant pays remaining 25% of rent
- Landlord foregoes 25% of rent

### Note

Application deadline is August 31, 2020. If landlord receives CECRA after June, can either refund to tenant or provide future credit.







## Canada Emergency Commercial Rent Assistance

# Tenants – who is eligible?

- Tenants who pay < \$50K per month, per location
- Ceased operations **or** 70% decline in revenue
- Revenue compared to April/May/June 2019 or Jan/Feb 2020 average
- Maximum \$20 million in gross annual revenue
- NPOs, charities can also apply



## Canada Emergency Commercial Rent Assistance

# Landlords – who is eligible?

- Landlords with commercial tenants
- Mortgage loan secured by commercial real property with one or more small business tenants
- For April, May, June:
  - Provide rent reduction of at least 75%, 50% funded by government, 25% by landlord and 25% by landlord
  - Moratorium on eviction



## Canada Emergency Commercial Rent Assistance Process

- Application to be available on CMHC website
- Application expected to open in mid-May
- Landlord will need to apply

# Help for businesses:

## Provincial and regional programs

- NS Small Business Impact Grant
- NS Workers Emergency Bridge Fund
- NS COVID-19 Small Business Credit and Support
- Regional Relief and Recovery Fund

## Provincial

# PVNS Small Business Impact Grant

- Eligible small businesses and social enterprises will receive a one time grant of 15% of revenue from sales – either from April 2019 or February 2020, up to a maximum of \$5,000
- One-time, upfront grant can be used for any purpose necessary
- Application process is online and the deadline to apply is April 25
- Apply online

**CLOSED**



## Provincial

# PVNS Worker Emergency Bridge Fund

- Help for the self-employed and those laid-off workers who do not qualify for Employment Insurance.
- Government will provide a one-time, \$1,000 payment to bridge the gap to the Canada Employee Response Benefit.
- Eligibility:
  - NS resident and 18 or over
  - Employed and laid off, or self employed and lost all revenue on or after March 16
  - Earned between \$5k and \$34k
  - Have applied to the CERB
- Not eligible if you are eligible for or receiving EI



# COVID-19 Small Business Credit and Support Program

Temporary program established by the Province of Nova Scotia to help small businesses affected by COVID-19 by providing a loan, a grant, and a business continuity voucher for advice and support.

- There is up to \$20 million available to fund this new, temporary program.
- Delivered through participating provincial credit unions.
- Eligible businesses can apply for a loan of up to \$25,000. No payments are due until June 30, 2020.
- Will be in the form of a term loan of up to 10 years, or a line of credit up to seven years.
- The maximum guarantee supplied by the Province of Nova Scotia will be 100 percent of the value of all facilities granted.
- If you're approved for the loan, you're also eligible for a one-time grant of up to \$1,500 and business continuity voucher of up to \$1,500 for advice and support to help your business adapt to or recover from the effects of COVID-19.

# COVID-19 Small Business Credit and Support Program (cont.)

- The loan application is available from April 29 to June 30, 2020.
- Both small businesses and non-profits are eligible for the program (including sole proprietorships, partnerships, corporations, co-operatives, societies and social enterprises).
- Your payroll needs to be under \$20,000 in 2019. You also need to have experienced a decline in sales revenue of at least 15% in March 2020 or at least 30% in April, May or June 2020, compared to the same period in 2019.

## Small Business Loan Guarantee Program: COVID-19 Response Stream

Due to the high volume of applications for the COVID-19 Response Stream, the application is temporarily closed while we assess the level of funding still available.

The province of Nova Scotia has made up to \$20M of total funding available through this stream.





ACOA

# Regional Relief and Recovery Fund

- To be administered through the Regional Development Agencies - i.e. ACOA in Atlantic Canada
- Designed to mitigate financial pressure to allow them to continue operations and support projects by businesses, organizations and communities so that they can prepare for a successful recovery.
- Info to apply will be available soon



# Help for businesses:

## Access to credit

- Canada Emergency Business Account (CEBA)
- Business Credit Availability Program (BCAP)
- Farm Credit Corporation (COVID-19 Program)



## Federal Government

# Canada Emergency Business Account

<b>Amount</b>	\$40,000
<b>Term</b>	Repayment by December 31, 2022
<b>Repayment</b>	\$10k eligible for complete forgiveness if \$30k repaid on or before December 31, 2022. If not repaid, converts to a 3-year term loan.
<b>Pricing</b>	Interest free initially. If not repaid, 5% after December 31, 2022.
<b>Other</b>	Funding via bank, apply directly online Available for small business (and NPOs) with payroll between \$20k and \$1.5 million



## Federal Government

# CEBA - Eligibility

- Canadian operating company registered in Canada on March 1, 2020.
- Have a 15-digit Canada Revenue Agency (CRA) Business Number.
- The borrower has an active business chequing/operating account with a primary financial institution. This account was opened on or prior to March 1, 2020.
- Not delinquent on existing borrowing facilities for more than 90 days on March 1st, 2020.
- Annual payroll of between \$20,000 and \$1.5 million as evidenced by the organization's 2019 T4 Summary of Remuneration Paid (T4SUM).



## Federal Government

# CEBA - Eligibility

- The funds may be used to **pay non-deferrable operating expenses** such as: payroll, rent, utilities, insurance, property tax and regularly scheduled debt service,
- Funds may **not be used** for: prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.
- The application process is being done via primarily (almost exclusively) via each lender's on-line banking platform.



# Business Credit Availability Program (BCAP)

Established by the Federal government to provide \$65 billion in **temporary** additional support for Canadian businesses

- Loan guarantees and/or new lending
- Delivered through a combination of:
  - Business Development Corporation
  - Export Development Corporation
  - Schedule I Canadian chartered banks
- Timing varies – certain programs are rolled out, some are still waiting
- It is not free money or interest-free support
- Applications under BCAP primarily initiated via existing operating lender



Business Development Bank of Canada

# Working capital loan (BCAP program)

<b>Amount</b>	\$100k up to \$2 million
<b>Term</b>	36 months
<b>Repayment</b>	Interest-only (for up to 12 months) 40% amortized over remaining period 60% balloon payment (or refinance) at term maturity
<b>Pricing:</b>	Based on BDC floating rate
<b>Security:</b>	General Security Agreement (2nd position) and personal guarantee
<b>Other</b>	Available to financially viable business that have been impacted by COVID. Underwritten and funding directly by BDC Program approved and accepting applications now





## Business Development Bank of Canada

# Co-lending (BCAP program)

<b>Amount</b>	Up to \$6.25 million, based on company revenues
<b>Term and Repayment</b>	10 year term, interest only for first 12 months
<b>Pricing</b>	Commercial lending rates
<b>Security</b>	TBD
<b>Underwriting</b>	Existing lender
<b>Funding</b>	80% BDC and 20% bank
<b>Other</b>	Program now available; applicability and lending discretion resides with the bank and programs may vary based on institution.







Business Development Bank of Canada

# Mid Market Financing (BCAP program)

<b>Amount</b>	\$12.5M to \$60M to medium sized business whose credit needs exceed BCAP
<b>Term and Repayment</b>	TBD
<b>Pricing</b>	Commercial lending rates
<b>Security</b>	TBD
<b>Underwriting</b>	TBD
<b>Funding</b>	TBD
<b>Other</b>	Qualifying companies will have annual revenues >\$100M Just announced May 11, 2020



## Export Development Corporation

# EDC Guarantee (BCAP)

<b>Eligibility</b>	Expanded temporarily to include Canadian exporting and <b>domestic</b> companies
<b>Amount</b>	<b>Guarantee</b> of <b>new</b> operating credit and cash-flow term loans up to \$6.25 million
<b>Guarantee</b>	Up to a maximum of 80% guarantee to operating lender
<b>Term</b>	Guarantee available for 12 months
<b>Pricing</b>	EDC fee in addition to commercial loan pricing as determined by operating lender
<b>Underwriting</b>	Completed by operating lender and provided to EDC with approval
<b>Other</b>	Active and accepting applications, EDC online application. Once approved, EDC contacts primary financial institution to lend at their discretion



Export Development Corporation

# EDC Mid-Market Guarantee (BCAP)

<b>Eligibility</b>	Expanded temporarily to include Canadian exporting and <b>domestic</b> companies
<b>Amount</b>	<b>Guarantee</b> of <b>new</b> operating credit and cash-flow term loans from \$16.75M to \$80M
<b>Guarantee</b>	Up to a maximum of 75% guarantee to operating lender
<b>Term</b>	TBD
<b>Pricing</b>	EDC fee in addition to commercial loan pricing as determined by operating lender
<b>Underwriting</b>	Completed by operating lender and provided to EDC with approval
<b>Other</b>	Just announced May 11, 2020



## Farm Credit Corporation

# New Operating Line

<b>Amount</b>	\$500k revolving operating line
<b>Term</b>	24 months
<b>Repayment</b>	Interest only for 24 months. Condition that the balance must decrease to 50% of authorized amount (i.e. \$250k) once per year. Repayment or refinance at end.
<b>Pricing</b>	Prime plus 1%, no fees
<b>Security</b>	GSA (second position, if required) and personal guarantee
<b>Other</b>	Eligible: primary producers, agribusinesses and food processors Must be going concern pre-COVID





## Farm Credit Corporation

# Term loan

<b>Amount</b>	Up to \$2.5M term loan
<b>Term</b>	Up to 10 years
<b>Repayment</b>	Interest only for 18 months.
<b>Pricing</b>	Commercial lending rates, no fees
<b>Security</b>	GSA (second position, if required), real property appropriate to loan amount
<b>Other</b>	Eligible: primary producers, agribusinesses and food processors Must be going concern pre-COVID To be used for: working capital, automation and optimization expenses to modify production due to COVID Cannot be used to pay out term debt, or purchase assets in the normal course.



## Things to remember

# Credit programs

- Programs are temporary
- Designed to support viable Canadian business, pre-COVID
- Banks will underwrite the loans on the same basis as before
- Exit needs to be clear
- It is not free money or interest free support



# Preparing to apply for credit



Cash flow

# COVID business cycle



## Panic

10% subsidy  
Tax deferrals  
Debt deferrals  
CEBA



## Maintain

CEWS  
CERB  
BCAP  
Working capital  
Rent relief



## Recovery

Restructure  
Refinance  
Rebuild





## 26 week cash flow projections

# Benefits

- Timely information for real-time business decisions
- Demonstrate deep understanding of expected cash flow requirements to stakeholders
- Support your discussions with the bank if you are asking for new credit
- Understand how all the programs fit together and eligibility
- Key to understand COVID-19:
  - What has been the impact?
  - What have you done to mitigate?
  - How much cash do you need?
  - How will you repay?

### Key to success:

Open communication with your bank!



Prepare in advance

# Information/documents

- Cash flow projections for the next 6-12 months, including detailed revenues and expenses
- Understanding of the impact of COVID on your business
- Most recent three years of year-end financial statements
- Year to date financial statements, with prior year comparison
- Most recent year end tax return
- Organizational chart showing ownership
- Statement of personal net worth
- Other documents, as required



## Questions

# General

- What have been the main impacts to the business and how are you mitigating them?
- What are the key operating costs (for the next 6 months) – i.e. rent, insurance, electricity, payroll, lending costs, supplies.
- How will you cover them? How much cash do you have available to cover and from what sources - i.e. existing/new loans, revenue sources, shareholder injection, government subsidies.
- Do you have other sources of funding available?
- What is your personal ability to inject funds into the business?





## Questions

# Specific areas to understand impact

- Revenues and AR
- Suppliers and AP
- Operations and production
- People and culture



## Immediate tips

# Working capital

- Monitor working capital items (inventory, AR and AP) closely:
  - Collect as much as AR as you can; consider offering discounts
  - Extend creditors longer than normal and/or negotiate flexible payment plans
  - Closely manage inventory – consider slowing purchases or taking advantage of volume discounts (if you have the cash). Ensure critical supply chain.
- Apply for any available credit relief—principal holidays, extended operating line bulge, provincial small business loans, wage relief and BCAP programs
- Remember however – most, if not all of these loans are still repayable, so factor this into future cash flow
- Take advantage of HST and corporate tax deferral options



## Immediate tips

# Expense management

- Cancel/postpone all **non-essential expenses** (meetings / travel / conferences)
- Identify **expenses that can be cut** without disruption to operations – (i.e. CAPEX, or short-term growth expenses)
- Understand **fixed costs** and ensure you have enough cash to cover
- Understand **variable costs** - cut back where possible, you can always reinstate
- Determine a plan for a **phased lowering of labour costs** - consider: early retirement, temporary leave, reduced work weeks/days, staggered shifts, etc.
- Manage, reduce and clear out **inventory** - costs money to hold



# GT COVID -19 Hub

<https://www.grantthornton.ca/insights/coronavirus-covid-19/finding-the-way-forward-guiding-businesses-through-coronavirus-COVID-19/>

# Contact us



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