

From: Scott Snelgrove <scott@thetaxguy.ca>
Sent: Monday, March 30, 2020 3:20 PM
To: admin@thetaxguy.ca
Subject: FW: COVID-19 Relief for Small Business Owners

From: Scott Snelgrove <scott@thetaxguy.ca>
Sent: March 29, 2020 11:49 AM
To: 'Scott Snelgrove' <scott@thetaxguy.ca>
Subject: COVID-19 Relief for Small Business Owners

Good morning all. I apologize for the length of this email, but there is much to discuss. I've been fielding a number of phone calls and emails about the various programs announced by the Federal Government re: COVID-19 relief.

I thought it might be helpful to summarize these programs in an email, based on my research to date and the information available online. So here goes.

There are essentially FOUR programs available for small business owners – but you may not qualify for all of them. They are:

1. Canada Emergency Response Benefit (CERB)
2. Wage Subsidy
3. Work-Share Program (WS)
4. Canada Emergency Business Account

Canada Emergency Response Benefit (CERB)

- This program will pay up to \$2,000 per month for up to 4 months to qualifying individuals
- To qualify you must have lost your job or lost your income due to COVID-19
- It is essentially an EI program, but also extends to self-employed individuals
- There are no Regulations yet – so the details are vague
- I can't find anything that says you qualify if you experience a reduction in income
- The individual must be at least 15 years old, AND must have earned at least \$5,000 in employment income in 2019 or for the 12-months up to the end of March 2020
 - o There are no details yet on whether dividend income meets this test
 - o I think we can create enough T4 wage income in early 2020 to meet this test if necessary
- I don't know if the \$2,000/month benefit is income-tested (by that I mean if you earned only \$5,000 in wage income, do you get the full \$2,000/month benefit, or is it reduced?)
- The real kicker for this program (and one that I think will disqualify most business owners) is that you must CEASE WORK for at least 14 consecutive days within a 4 week period – there are no rules yet on whether a partial shutdown or reduced hours will qualify
- This program will be administered thru a secure web portal (NOT YET SET UP)

Wage Subsidy

- This program is meant to help Employers keep their employees on-staff during a temporary decline in business due to COVID-19
- Rather than lay-off your employees, this program will pay up to 75% of their wages – so you only need to pay 25%
- The maximum period of coverage is 3 months
- The Government HAS NOT YET released any further details, or how to apply for this
- They state that details will be released before the end of March (which is 2 days away)

- It does not appear this program will help businesses who hire sub-contractors or sub-trades – it is geared more towards employees
- I also don't know if business owners who are taking a wage can qualify for this subsidy
- More details need to be released

Work-Share Program (WS)

- This program has been around for years, and is just being refined to deal with the COVID-19 challenges
- The program is administered thru EI, and is somewhat similar to the Wage Subsidy program
- Employers must have at least 2 employees (sub-contractors do not count)
- Employees cannot be Senior Managers or individuals who own > 40% of the voting shares
- Under WS, you keep your employees on staff but at a reduced work week (between 10% and 60% work reduction)
- For every \$1.00 you pay your employee, they can earn an additional \$0.50 thru EI
- The program is available for up to 76 weeks

Canada Emergency Business Account

- I don't know if this program will help many of my business clients
- More details must be released by the Government
- The program allows you to apply for up to \$40,000 in interest-free loans from your Bank
- The intention is to use these funds to help cover operating expenses
- If you repay the loan (in full) before the end of December 2022, 25% of the loan will be forgiven (to a max of \$10,000)
- The Government website states "**Contact your financial institution for more details**"
- Now the problem – to qualify for this loan, your business must have had between \$50,000 to \$1million in annual payroll in 2019
- I don't know if this includes dividend income paid to business owners, or if its just T4 wages

As you can see, the Government is short on details and we need to see the fine print to fully understand these programs. I will continue to watch out for these details and will share them with you as soon as possible

Stay safe and healthy,

Scott

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