

HERE'S WHAT SMALL BUSINESSES NEED TO KNOW ABOUT THE GOVERNMENT'S COVID-19 HARDSHIP MEASURES

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Many small businesses, along with non-profits and charities, in Canada may be particularly hard-hit by the financial fallout of COVID-19 and may experience a significant loss of revenue. This week, the government passed legislation to put into place a variety of measures to help individual Canadians and businesses facing hardship as a result of the COVID-19 outbreak. Among the measures was a temporary wage subsidy program for employers, a new loan program for businesses, and deferred payment deadlines for income tax and GST/HST.

Temporary wage subsidy program

As originally introduced, the temporary wage subsidy program was to be equal to 10 per cent of remuneration paid by an “eligible employer” between March 18 and June 19, 2020. On Fri. March 27, in his daily press conference, Prime Minister Justin Trudeau announced that the wage subsidy will be increased to 75 per cent of wages for small- and medium-sized businesses affected by the COVID-19 pandemic, and made retroactive to March 15, 2020.

While more details about the wage subsidy plan are expected to be released on Monday, here are some of the specifics based on the legislation that was passed this week.

As an employer, you are required to make source deductions before paying wages (and most other forms of remuneration) to your employees. You generally must deduct and withhold amounts for income taxes, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, and Employment Insurance (EI) premiums. You must then pay these withholdings, along with employer CPP/QPP contributions and EI premiums, to the Canada Revenue Agency (CRA) (and Revenu Quebec) by the due date. If you make payments quarterly or monthly, the payments are due by the 15th of the following month. Some employers who must make accelerated remittances have to remit earlier.

Under the previously announced rules, the 10 per cent subsidy had a cap of \$1,375 per employee and \$25,000 per employer. With the increased subsidy level of 75 per cent, these maximums may be increased when further details are announced next week.

Under the legislation passed this week, employers that qualify for the wage subsidy include individuals (i.e. sole proprietors), certain partnerships, non-profit organizations, charities and certain Canadian-controlled private corporations (CCPCs). A CCPC is essentially a private corporation whose shares are not listed on a stock exchange, and that is owned and controlled by Canadian residents. Large CCPCs which have taxable capital of more than \$15 million among their associated corporations won't qualify for this subsidy.

The subsidy is calculated manually and, under the currently-enacted legislation, the employer can choose to reduce its payroll income tax remittances to the CRA by the amount of the subsidy. The reduction of tax remittances can begin on the employer's next remittance date (April 15th if the employer is a quarterly or

monthly filer.) The amount of the wage subsidy will be included in the employer's income and taxed in the year it is received.

Employers must continue to deduct all source deductions, including income taxes, CPP/QPP contributions and EI premiums from employees' pay. The employer can only reduce remittances of federal, provincial (other than Quebec) or territorial income taxes and cannot reduce any remittances of CPP/QPP contributions or EI premiums. (Remittances to Revenu Quebec may not be reduced.)

While the CRA is currently working on the reporting requirements for the wage subsidy program, the employer should keep all information necessary to support its manual calculation of the subsidy. This will include records of all remuneration for the relevant period, as well as tax deductions and the number of employees.

If the employer chooses not to reduce current payroll remittances, it can transfer the wage subsidy to a future remittance or can request to have it paid at the end of 2020.

Tax Templates Inc., a Toronto company that specializes in creating specialized tax spreadsheets for professional tax advisors, has created a free worksheet that can be accessed online to help Canadian businesses and their tax advisers calculate their businesses' wage subsidy.

It's possible that the mechanics of how the wage subsidy will be administered will be changed to accommodate the newly announced 75 per cent subsidy level.

New loan program for businesses

On March 27, the Prime Minister also announced the Canada Emergency Business Account, which will be implemented by financial institutions in cooperation with Export Development Canada. It will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus.

To qualify, these organizations will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019. Repaying the balance of the loan on or before Dec. 31, 2022 will result in loan forgiveness of 25 per cent (up to \$10,000).

Deferred payment deadlines

The CRA will allow all businesses to defer, until Sept. 1, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief applies to tax balances due, as well as income tax instalments. The government made it clear that no arrears interest or penalties will accumulate on these amounts during this period.

The CRA has also pushed back the remittance deadline for GST/HST remittances. Normally, GST/HST amounts collected by businesses are due by the end of the month following the vendor's reporting period. For example, if your business is a monthly filer, the GST/HST amounts collected on its February sales are due by the end of March.

The CRA has announced that it will extend the remittance deadline until June 30, 2020. The result is that monthly filers can delay remitting amounts collected for the February, March and April 2020 reporting

periods until June 30 while quarterly filers have until that date to remit amounts collected for the January 1, 2020 through March 31, 2020 reporting period. Annual filers, whose GST/HST return or instalments are due in March, April or May 2020, can now remit amounts collected and owing for their previous fiscal year as well as instalments of GST/HST for current fiscal year by June 30, 2020.

In addition, the CRA confirmed it won't be contacting any small- or medium-sized businesses to initiate any post assessment GST/HST or income tax audits for the next four weeks.