

Government Funds for Businesses

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The Government of Canada recently announced Canada's COVID-19 Economic Response Plan, which includes a comprehensive set of economic measures to help combat the economic effects of the COVID-19 pandemic. The plan will provide up to \$27 billion in direct support to Canadian workers and businesses and \$55 billion in additional liquidity, mostly in the form of tax deferrals for businesses, to help stabilize the Canadian economy and boost consumer confidence during this pandemic. Additional funding is expected to be provided as the situations evolves.

Here are the federal programs that can support your business:

- **Changes to the Canada Account:** The Canada Account is administered by Export Development Canada and is used to support exporters deemed to be operating in the national interest. The changes to the Canada Account will allow the government, through the Minister of Finance, to provide additional support to Canadian businesses through loans, guarantees or insurance policies.
- **Canada Emergency Wage Subsidy:** Eligible employers will be granted a temporary wage subsidy, for up to 3 months, equal to 75% on the first \$58,700 each worker earns in one year, which equals \$847 per worker, per week. This proposed subsidy will apply to individual businesses, corporations and partnerships that are not government funded, as well as non-profits and charities, that have seen their gross March, April and May 2020 revenues decrease due to COVID-19. To be eligible for the wage subsidy in March 2020, the required reduction in revenue is 15% against March 2019 revenue or the average in revenue for January and February 2020. The required reduction in revenue for April and May 2020 is 30%, against the same months in 2019 or the average in revenue for January and February 2020. Employers applying for this wage subsidy must reapply each month and must attest that they are doing everything possible to pay the remaining 25% of the employees' wages. Funds under this wage subsidy are expected to be available in mid-May 2020, and this subsidy will be backdated to March 15, 2020. Severe penalties are expected to be imposed if employers do not apply the funds to employees' wages or if employers engage in any other fraud. Employers will be able to apply for this wage subsidy, on a monthly basis, through the Canada Revenue Agency's My Business Account online portal, which is expected to be made available in the coming weeks. For more information on this wage subsidy, [click here](#).
 - Employers that do not qualify for the Canada Emergency Wage Subsidy may qualify for the previously announced wage subsidy of 10% remuneration paid from March 18 to before June 20, 2020. More information on this 10% wage subsidy can be found [here](#), and additional information is expected to be released soon.
- **Ensuring Businesses Have Credit through the Business Credit Availability Program (BCAP):**

The Business Development Bank of Canada and Export Development Canada will provide more than \$65 billion of support, through the BCAP, largely targeting small and medium-sized businesses. These entities are also working with private sector lenders to coordinate solutions for individual businesses. The objective of the BCAP is to improve access to financing for credit-worthy Canadian businesses with viable business models whose access to financing would otherwise be restricted. The BCAP will roll out in the three weeks after March 27. To access the BCAP, businesses should first contact their financial institution, which will contact Business Development Bank of Canada and/or Export Development Canada where appropriate. The BCAP includes:

- **Canada Emergency Business Account:** Under this program, financial institutions will be able to provide loans of up to \$40,000 to small businesses and non-profits, which will be guaranteed by the federal government and interest free for the first year. To qualify for these loans, businesses need to have paid between \$20,000 and \$1.5 million in total payroll in 2019 and need to have been operating as of March 1, 2020. Businesses will be forgiven for up to 25% of the loan, up to \$10,000, if the balance of the loan is repaid on or before December 31, 2022. If the loan is not repaid by December 21, 2022, the remaining balance will be converted to a three-year term loan at 5% interest. The funds from this loan shall only be used to pay non-deferrable operating expenses, including payroll, rent, utilities, insurance, property tax and regularly scheduled debt service. This program is now available at various financial institutions and credit unions.
- **Loan Guarantee to Small and Medium-Sized Enterprises:** Export Development Canada is working with financial institutions to help them issue new operating credit and cash flow term loans up to \$6.25 million to existing small to medium-sized enterprise clients, with 80% guaranteed by Export Development Canada. Export Development Canada is also supporting certain businesses by offering banks a guarantee on loans up to \$10 million USD, per business, to ensure these businesses can access cash immediately. For more details on these programs, businesses should contact their financial institutions.
- **Co-Lending Program for SMEs:** The Business Development Bank of Canada is working with financial institutions to co-lend term loans, of up to \$6.25 million, to small and medium-sized enterprises, to help meet their operational cash flow requirements. This program is designed in three segments: (1) loans of up to \$312,500 for businesses with under \$1 million in revenue; (2) loans of up to \$3.125 million for businesses with revenues between \$1 million and \$50 million; and (3) loans of up to \$6.25 million for businesses with revenues exceeding \$50 million. The loans under this program are interest-only for the first 12 months, with a 10-year repayment period.
- **Support for Farmers:** An additional \$5 billion in lending capacity is being made available, through Farm Credit Canada to producers, agribusinesses and food processors, which will help to deal with cash flow issues caused by a decrease in sales. Farm Credit Canada has also put in place a deferral of principal and interest payment up to six months for existing loans, or a deferral of principal payments up to 12 months. For more information on this program, contact Farm Credit Canada at 1-888-332-3301, or search for your local Farm Credit Canada Office [here](#).

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- **Tax Filing Deadline Deferral:** Canadian businesses will be allowed to defer, until August 31, 2020, the payment of any income tax amounts owing on or after March 18, 2020 and before September 2020. This applies to tax balances due and instalments under Part I of the *Income Tax Act*. No interest or penalties will accrue during this tax deferral period.
- **Tax Audit Deferral:** The Canada Revenue Agency will not initiate any post assessment GST/HST or Income Tax audits on any small or medium business for the next four weeks, beginning on March 18, 2020.
- **Sales Tax and Customs Duty Payment Deferrals:** Businesses, including self-employed individuals, will be able to defer GST and HST payments, as well as duties and taxes on imports, until June 30, 2020. This deferral will apply to GST/HST remittances for the February, March and April 2020 reporting periods for monthly filers; the January 1, 2020 through March 31, 2020 reporting period for quarterly filers; and for annual filers, the amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year. For GST and customs duty payments for imports, the deferral will include amounts owing for March, April and May.
- **Launching the Insured Mortgage Purchase Program:** This program will allow the federal government to purchase up to \$150 billion of insured mortgage pools through Canada Mortgage and Housing Corporation, which will provide long-term stable funding to banks and mortgage lenders and help facilitate continued lending to Canadian consumers and businesses.
- **Helping Banks Continue Lending:** The Domestic Stability Buffer will be lowered by 1.25% of risk-weighted assets, which will allow Canada's big banks to inject \$300 billion of additional lending into the economy.
- **Canada Emergency Commercial Rent Assistance (CECRA):** The CECRA program, announced by the federal government, will seek to assist small businesses by providing loans to commercial property owners who in turn will lower or forgo the rent of small businesses for the months of April, May and June 2020. Implementing this program will require a partnership between the Government of Canada and the provincial and territorial governments, who are responsible for property owner-tenant relationships. More details on this program are expected to be released soon.

As the situation is evolving rapidly, information regarding how to access the funds available through some of the programs above has yet to be released.

Information regarding the time frames related to the implementation of these above programs can be found on the Government of Canada's website.

More information on the Government of Canada's COVID-19 Economic Response Plan can also be found on their website.

Additional programs administered by Ontario, Alberta and British Columbia are set-out below.

Ontario

The following is a list of support for businesses as part of Ontario's Action Plan in response to COVID-19:

- **Lowering Energy Costs:** Supporting more affordable electricity bills for eligible residential, farm and small business consumers by setting electricity prices for time-of-use customers at the lowest rate, known as the off-peak price, 24 hours a day for 45 days, beginning on March 25, 2020.
- **Lowering Taxes:** Cutting taxes by \$355 million for approximately 57,000 employers through a proposed temporary increase to the Employer Health Tax exemption.
- **Funding for Charities and Non-Profit Social Services:** Enhancing funding by \$148 million for charitable and non-profit social services such as food banks, homeless shelters, churches and emergency services.
- **Tax Penalty Relief:** Providing five months of interest and penalty tax relief for businesses to file and make payments for the majority of provincially administered taxes, including employer health taxes, tobacco taxes and gas taxes.
- **Deferring WSIB Payments:** Allowing employers to defer Workplace Safety and Insurance Board payment premiums for up to six months.

More information on Ontario's Action Plan can be found [here](#).

Closure of Non-Essential Businesses: The Government of Ontario has ordered the mandatory closure of all non-essential businesses. This mandatory closure order is currently in effect and will remain in effect as long as the Declaration of Emergency remains in place. The province released the list of essential businesses, which will be permitted to stay open during the period the mandatory closure order is in effect, which can be found [here](#).

Ontario Together Fund: The Government of Ontario has established a \$50 million fund available to businesses in Ontario that are willing and able to retool and build capacity to help in the province's fight against COVID-19. The funding will be made available to the most viable and innovative proposals that will provide the greatest benefit to the people of Ontario. Businesses that have ideas, supplies or the ability to assist the province are encouraged to submit their proposals online [here](#).

More information on Ontario's response can be found on ontario.ca.

Alberta

Measures announced by Alberta include:

- **Tax Deferrals:** A deferral of corporate income tax balances and instalments from March 19, 2020 until August 31, 2020.

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- **Energy Bill Deferrals:** Farm and commercial customers can defer electricity and natural gas payments for 90 days.
- **ATB & Credit Union Deferrals:** Small businesses that work with Alberta Treasury Branches (ATB Financial) can apply for a payment deferral on loans and lines of credit up to 6 months and access additional working capital. Also, businesses are encouraged to contact their credit union to directly work out a plan based on their situation.
- **WCB Premium Payment Deferral:** Private sector employers can defer Worker's Compensation Board payments until 2021.

Closure of Non-Essential Businesses: The Government of Alberta has announced that all non-essential businesses in the province must close in an effort to combat the spread of COVID-19. For restrictions on businesses in the province, please visit this site, and for the list of essential businesses that are permitted to stay open, please see here.

More information on Alberta's response can be found on alberta.ca.

British Columbia

British Columbia announced it will amend the *Employment Standards Act* to prevent layoffs of employees who are forced to stay home from work due to COVID-19.

Measures announced by British Columbia include:

- **Deferral of Taxes:** The filing and payment deadlines for the employer health tax, provincial sales tax (including municipal and regional district tax), carbon tax, motor fuel tax and tobacco tax have been extended until September 30, 2020.
- **Prohibition on Resale of Essential Goods and Supplies:** Acquiring essential goods and supplies, whether from a retail environment or from a government organization or other body, and whether inside or outside of British Columbia, and subsequently reselling that essential good or supply, is prohibited. Essential goods and supplies include (i) food, water and other beverages; (ii) fuel and gasoline; (iii) health care goods, pharmaceuticals and medical supplies; and (iv) personal hygiene, sanitation and cleaning goods. More information on this order can be found here.
- **BC Hydro Relief:** Small businesses forced to close due to COVID-19 will have their power bills forgiven and waived entirely between April and June 2020. Businesses of major industries will be able to defer their power bills between April and June 2020.
- **Reduced School Tax Rates:** School tax rates for commercial properties will be reduced by 50% for the 2020 tax year.

Closure of Certain Non-Essential Businesses: British Columbia has declared that all dine-in restaurants, bars, pubs, nightclubs, entertainment venues, casinos and personal service establishments such as salons,

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spas and tattoo shops, must close, in an effort to combat the spread of COVID-19. Other businesses, including health services, sanitation services, food and agriculture, and IT and communication services have been deemed essential and are permitted to remain open.

More information on British Columbia's response can be found on gov.bc.ca.

Cassels will continue to monitor the responses of the federal and provincial governments and provide updates as they become available. These updates will be posted on our website in the coming days as more information becomes available.

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Additional resources related to the impact of the COVID-19 pandemic can be found [here](#).

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This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.