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Canada Emergency Business Account Loan Now Available

April 9, 2020

The Canada Emergency Business Account (CEBA) loan is now available to eligible small businesses and not-for-profits (collectively, Eligible Businesses) in Canada. Eligible businesses can now apply for CEBA online at their primary financial institution.

What is the Canada Emergency Business Account?

On March 27, 2020, the Canadian government announced measures to support Canadian businesses and stabilize the Canadian economy during the COVID-19 pandemic. CEBA is one of the announced measures and is a loan of $40,000 that is available to eligible businesses. CEBA loans will be guaranteed by the Canadian federal government.

Who is Eligible?

To qualify for CEBA, an Eligible Business must be an operating registered company in Canada as of March 1, 2020, and must demonstrate that the Eligible Business paid between $50,000 and $1 million in total payroll in 2019 as evidenced by its 2019 T4 Summary of Remuneration Paid.

Key Terms

Loan Amount: Eligible Businesses can obtain a loan of $40,000.

Interest: The annual interest rate is 0% until December 31, 2022. After December 31, 2022, the loan will be converted into a three-year term loan with an annual interest rate of 5%.

Repayment: There are no minimum monthly principal or interest payments until December 31, 2022. No principal payments are required until December 31, 2025, however, the Eligible Business can prepay the CEBA loan at any time without penalty.

Loan forgiveness: 25% of the loan ($10,000) is eligible for forgiveness if $30,000 is fully repaid on or before December 31, 2022.

Permitted use of loan proceeds: The CEBA loan can only be used by Eligible Businesses for operating costs that cannot be deferred, such as payroll, rent, utilities, insurance, regularly scheduled debt service and property tax.

How to Apply

Eligible Businesses must apply for the CEBA loan online only through their primary financial institution and cannot obtain multiple CEBA loans from different financial institutions. Once the loan application is submitted online, it may take up to five business days for the application to be processed for funding.

Of note, some financial institutions are requiring consent and confirmation from only one signing officer of the Eligible Business and will not accept multiple signatures. As such, if the Eligible Business is structured such that two or more persons are required to sign agreements and bind the business, then the Eligible Business may need to prepare resolutions that allow a key officer to apply for the loan online and be given the authority to bind the Eligible Business to the loan agreement.

For more information regarding the CEBA loan and the applicable terms and conditions, businesses should visit the website of their primary financial institution.

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