

Life After CECRA: Relief Under the Canada Emergency Rent Subsidy

November 26, 2020

An Act to Amend the Income Tax Act (Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy)

As discussed in our prior articles

CECRA

Qualifying Renter

- an application is made no later than 180 days after the end of the Qualifying Period in question;
- the individual who has principal responsibility for the financial activities of the eligible entity provides an attestation as to the completeness and accuracy of the CERS application; and
- the party is an "eligible entity" that satisfies one of the following requirements: (1) it has a payroll account as of March 15, 2020 or has been using a payroll service provider; (2) it has a business number as of September 27, 2020 (and satisfies the CRA that it has a bona fide rent subsidy claim); (3) it has purchased the business assets of another person or partnership who meets the requirements set out in item (2) directly above and has made an election under the special acquisition rules; or (4) has met other prescribed conditions that may be introduced in the future.

eligible entity

Income Tax Act

Income Tax Act

Eligible Expenses in Qualifying Properties

qualifying property

qualifying property

CERS Calculation

general approach

alternative approach

RRP	RSP
70% or greater	65% (the maximum rate)
50% to 69%	$(RRP - 50\%) \times 1.25 + 40\%$
Less than 50%	$0.8 \times RRP$

Key Takeaways from the CERS Program

1. Unlike CECRA, CERS will not only be applicable to small businesses. So long as the eligibility criteria above are met, the size of the business will not be a determinative factor.
2. Unlike CECRA, CERS allows eligible entities to apply directly for assistance under the program, rather than relying on landlords to do so on behalf of the eligible entities.
3. The CERS program will be administered by the CRA and unlike the CECRA program, the support provided under this program will be in the form of a subsidy rather than a forgivable loan. As an amendment to the *Income Tax Act*, CERS operates like the Canada Emergency Wage Subsidy (CEWS), whereby the subsidy amount paid to the eligible entity will be deemed an overpayment of tax by the entity under the *Income Tax Act*, such that the entity's tax payable would be reduced or a tax refund would be issued.
4. While the program name may suggest otherwise and while an eligible entity that qualifies for financial relief under the CERS program is referred to as a "qualifying renter," the eligible entity under this program is not necessarily a tenant under a lease – a property owner may also qualify under the program.
5. A property that is used primarily to earn rental income from arm's length parties is not eligible for the program.
6. For each Qualifying Period, you can claim eligible expenses up to a maximum of (I) \$75,000.00 per qualifying property (base subsidy and top-up subsidy) and (II) \$300,000.00 in total for all qualifying properties (including any amounts claimed by affiliated businesses) with respect to the base subsidy only (there is no maximum for the top-up subsidy across all qualifying properties).
7. Applicants can apply for the program [here](#).

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