

April 1, 2020

To our clients and partners,

Given the constant flow of announcements relating to government programs and incentives, Econolease is continuing to try to keep you up to date and provide clarity on items that may benefit your business or your employees. **We are not in any way trying to offer business advice or tax advice; every business situation is unique. But we do want to share information so it's easily accessible, if and when you need it, and so you can have informed discussions with your advisors/partners and make the best choices possible based on your circumstances.**

If your business has been negatively impacted by COVID-19, we'd like to draw your attention to the following programs which may be of benefit:

1. Increase in the wage subsidy to 75%;
2. New \$40,000 interest free loan from the Canada Emergency Business Account, which if repaid before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000);
3. Operating loan program to up to **\$6.25M** with applications to go through existing financial institution relationship;
4. Deferrals of GST/HST remittances;
5. Deferrals of corporate tax remittances; and
6. CERP \$2,000 a month benefit applicable to self-employed and non-EI eligible individuals.
7. **Specifically regarding your LEASE, LOAN or RENTAL with Econolease – please refer to the communication we sent out on March 17<sup>th</sup> at 8am ET – or click here to download as a PDF. This has detailed information about who to contact in the funding departments if you need to arrange payment relief.**

#### 1. Wage Subsidy

With more details to be released in the coming weeks, the government announced it will provide a wage subsidy of up to 75% for qualifying businesses, effective retroactively to March 15th. Details are still being hammered out but the subsidy is capped at \$875 per employee, per week, with no limit to the number of employees eligible. In order to qualify, businesses must be able to prove a reduction in revenue of 30% or more when compared to the same month in the previous year. The subsidy is currently set to be applicable for March, April and May. The government is setting up an online portal through the CRA website (estimated three to six weeks to set up) where businesses can apply. **You must reapply for the subsidy and prove the year over year decline, every month.** Funds are likely to be made available in 6 weeks at the earliest, meaning the process is to pay your employees, then apply for the subsidy and get reimbursed. To expedite the funding process, the government is advising you apply for direct deposit with the CRA, so funds can flow directly into your bank account.

For Start-ups and those with little or no comparison revenue March, April and or May 2019, the government has not finalized the eligibility criteria, but is considering using a month-to-month comparison method including revenues for February 2020. **Restaurants and specifically bars who are often excluded from government programs, (see section 3 below) were explicitly mentioned by Finance Minister Morneau as being eligible.**

Sample Subsidy Model

	Annual Salary a	Weekly Salary b = (a/52 weeks)	75% of Weekly Salary c = (b*75%)	Max Weekly Subsidy d	Claimable Weekly Subsidy e = min(c,d)
Employee 1	\$50,000	\$961.54	\$721.15	\$847.00	<b>\$721.15</b>
Employee 2	\$58,700	\$1,128.85	\$846.63	\$847.00	<b>\$846.63</b>
Employee 3	\$150,000	\$2,884.62	\$2,163.46	\$847.00	<b>\$847.00</b>
Company Total		<b>\$4,975.00</b>	<b>\$3,731.25</b>		<b>\$2,414.79</b>

## 2. \$40,000 Operating Loan

For organizations that can demonstrate between \$50,000 to \$1 million in total payroll in 2019, you may be eligible for an interest free loan up to \$40,000. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent. That's means you borrow \$40K, but only have to repay \$30K. For qualifying businesses requiring cash to cover operating expenses, this may be an excellent option. Applications should be done through your existing financial institution.

## 3. Operating Loans

For organizations requiring more than \$40,000, or have a payroll greater than \$1 million, the government through Export Development Canada (EDC) and Business Development Canada (BDC) is working with financial institutions to provide operating loans. Given the significant volume of applications the BDC is receiving, they are directing businesses to apply through your existing financial institution to expedite the process. We caution the anecdotal evidence we have gathered indicates the application to funding process may take over a month. The application requirements and guidance provided in our last email still applies. While things have been changing rapidly, from information that was made available to us last Friday, the repayment term of these loans is generally 36 months. Interest-only payments apply for the first 12 months, followed by 24 months of interest and principal payments. It is possible to structure payments with a large final balloon payment of up to 60% of the principal. Check with your loan provider for up-to-date rate information. You may also be aware of an article written in the *Globe and Mail* highlighting the difficulty bars are having in getting approval for BDC loans. Historically from past experience, the BDC has considered a bar or nightclub ineligible if 50% or more of its revenue is derived from alcohol sales. While this may change and we see the government's inclusion of bars for the wage subsidy as a positive development, if you own a restaurant with the words tavern, pub, brewhouse, etc. in your name, **Econolease would recommend at the front of your application clearly stating you are a restaurant and what percentage of your sales are not related to alcohol.** If non-alcohol sales account for less than 50% of total sales, clearly highlight this at the start of your application. Given recent pressure from industry groups and the unprecedented nature of recent events, we believe even those traditionally excluded from BDC funding who require the assistance, may become eligible. Do not let the previous eligibility criteria deter you from applying.

#### 4. GST/HST Remittance Deferrals

The federal government has extended the GST/HST remittance deadline until June 30, 2020. Until more information is available it is **recommended you contact your accountant** for guidance or proceed with filings and defer payments as required.

#### 5. Corporate Tax Remittance Deferrals

The federal government is allowing businesses and individuals to defer income tax payments including instalments. This deferral applies to corporate and personal income tax that became owing on or after March 18. This means you do not need to submit tax balances or tax instalments to the CRA until September 1. For those organizations making instalment payments on the estimated income they will owe for the current year, now may be a good time to re-evaluate your 2020 forecast to determine if there has been a change in your projected income. In the case where there has been a change in your projected income (such as a decrease due to COVID-19), organizations may recalculate and submit future instalment payments based on the new estimated income. You may also apply to the CRA to have the corporate tax instalments that have already been remitted (if greater than new forecasted amount) transferred to your payroll and/or HST remittance account. **Econolease strongly recommends you speak with your accountant or a tax professional before undertaking any of the above-mentioned actions.**

#### 6. \$2,000 for Self-Employed and non-EI Eligible Employees

For owner/operators who are self employed and have had to stop operations or have had to lay off employees who are not eligible for EI, you may be eligible for the CERB taxable benefit of \$2,000 a month for up to 4 months. The Canada Emergency Response Benefit will be accessible through a secure web portal starting in early April. Applicants will also be able to apply via an automated telephone line or via a toll-free number. You cannot “double dip” by receiving the wage subsidy and the CERB benefit.

Your success is **most** important to us at Econolease and we will endeavour to keep you informed during this time of uncertainty.

Wishing you the best,

Mike

*\*Disclaimer: The above is for informational purposes only. We make no representation or warranty, express or implied, as to the accuracy or completeness of the above information and the applicability of any support measures to your business. We strongly advise you perform your own due diligence and speak with your professional advisors as to the applicability of any program to your business.*