

COVID-19 RESPONSE GUIDE FOR SMALL BUSINESS

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Introduction

With so many businesses experiencing significant losses due to COVID-19 and social distancing measures, governments and agencies have been announcing many measures to assist businesses and individual taxpayers. Below are some key points on some of those measures that are particularly important to small businesses, as well as relevant guidance for small business owners.

Recommendations and Guidance for Business Owners

Lender Communication is Very Important Right Now

Every business should be proactively speaking with their lenders now. Planning your needs and providing straight-forward communications to your lenders will generally give them greater confidence in your business and your management abilities. Keep them up to date on your situation and what challenges you are expecting.

Update Your Cash Flow Forecasts

Right now, every business needs an up to date cash flow projection, one that pays particular attention to the components of working capital. Whether the projection is simple or more complex, it is critical to model a forward-looking cash flow analysis now. Given the current upheaval and the slowdown in the economy, a window into your future cash flow needs will provide clarity and peace of mind for you and your stakeholders.

Your cash flow forecast should allow you to do ‘stress tests’, i.e. what happens if things get worse (such as customers slow down payments even further, say from 60 days on average to 90 days)? Performing this sort of analysis and sharing the highlights with your lender can help ensure that they know when you will need support and will allow them make plans to have your back.

Review your Business Interruption insurance coverage

You should immediately review and discuss your Business Interruption (BI) insurance coverage with your insurance broker. Not every business has this type of coverage, and the type and amount of coverage can vary widely

Match Payments to Suppliers with Collections from Customers

Every business should already be matching receivables collection with supplier payments, i.e. if your customers are slow to pay, you should insist with your suppliers that you need to extend their payment terms.

Ask key vendors for assistance

Your vendors are likely getting many calls for assistance. Some will be more receptive than others. In any event, they will likely be glad you spoke with them. Some suggestions for potential cost relief are:

- Internet service providers - Ask them not to disconnect, but reduce or eliminate fee - Disconnecting might cause a delay in reconnecting when you open and may leave you without alarm coverage. Each provider may have different options they can offer.
- Alarm companies – Ask if they can defer or reduce fees
- Landlords - Contact landlords to see if they can offer rent relief or deferrals
- Credit card merchant providers (Chase Paymentech, Moneris, etc...) – They may be able to provide relief for terminal rental and recurring fees.
- Financial Institutions - Ask about principal payment relief (and interest if possible). Also, ask if there might be relief for recurring bank account fees.
- Ask any providers on long-term prepaid contracts about possibly extending the current contracts by 2-3 months for no additional charge. It won't save you money today, but will help with the recovery at renewal time.

Processing Employee ROE's

- When employees are directly affected by COVID-19 and are not working, an ROE must be issued. For Box 16 – Reason for Separation, please use the following codes but do not include comments.
 - Employee is sick or quarantined: Code D (Illness or Injury).
 - Employee stops working due to a shortage of work or shutdown due to COVID-19 – Code A (Shortage of Work).
 - Employee is not sick or quarantined but not working due to other reasons related to COVID-19 – Code E (Quit) or Code N (Leave of Absence).
 - Note: Add comments only when required. Doing so causes the ROE to be pulled from the automatic processing queue for review by an agent, slowing down the process.

Financial Assistance for Corporations

10% Wage Subsidy

This subsidy announced March 18th is being offered to employers based on gross payroll. The subsidy is equal to 10% of the remuneration you pay between March 18 and June 20, up to \$1,375 per employee to a maximum of \$25,000 per employer. Generally, this subsidy is available to companies that qualify for the small business deduction. Unlike the small business deduction, there is no requirement to share the \$25K maximum subsidy with associated companies. This subsidy is not paid out by the government, but rather is withheld by the company when remitting statutory remittances.

75% Canada Emergency Wage Subsidy

The Federal government is offering a wage subsidy of 75% on wages paid to employees if they can show that their revenues have fallen by at least 30%. The subsidy will be capped at \$847 per week per employee.

- For employers (including not-for-profits) who have experienced a 30% or more decline in revenues since the same time last year
- Accomplished by comparing revenues in March, April, and May to the same month last year.
- Employers need to attest that they are doing everything they can to pay the remaining 25%. This may not always be possible, but the system will be flexible.
- Businesses will apply online for the subsidy through a CRA portal which will be available soon.
- Funds are expected to be available in approximately 6 weeks.
- <https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>

Combining the Wage Subsidies

While initially it seemed the 75% Canada Emergency Wage Subsidy was replacing the 10% Wage Subsidy, that no longer seems to be the case. The government has indicated companies that are eligible for both subsidies can claim both. However, any benefit claimed from the 10% Wage Subsidy will reduce the amount claimed under the 75% Canada Emergency Wage Subsidy. **If your company needs the cash and can claim both, doing so may be beneficial since the 10% Wage Subsidy puts money in your pocket sooner.** Essentially, you would get to keep the 10% Wage Subsidy when you pay your remittance (on the 15th of the next month for most remitters) and receive the remainder (75% CEWS less the 10% wage subsidy) in approximately 6 weeks.

Income Tax Payments and Installments

CRA has announced that Income tax payments and instalments that become owing or due after March 18th can now be delayed until September 1 without interest or penalties.

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update.html>

Deferral of Sales Tax Remittances and Customs Duty Payments

The CRA will allow businesses, including self-employed individuals, to defer until June 30, 2020 and payments of GST/HST as well as customs duties owing on imports.

- For Monthly Remitters, that means February, March, and April HST remittances can be made as late as June 30.
- For most Quarterly remitters, that means the January – March remittance can be made as late as June 30.
- Businesses would be wise to calculate their HST remittance ASAP after their reporting period ends. If you calculate an amount owing, you may defer payment. However, some businesses that normally remit HST, with additional costs (cleaning, plexiglass barriers, delivery costs, remote worker supplies) and revenues declining, may find themselves in a net refund position for certain periods. In those cases, businesses should continue to file their return on time or even early so that CRA can process the refund.

- <https://www.canada.ca/en/department-finance/economic-response-plan/covid19-businesses.html>

Municipal Taxes

The City of St. John's

The City of St. John's will not be charging interest on any late payments up to and including August 30. If you have amounts that come due to the City before August 30, you can hold back those payments until August 30 without penalty.

<http://stjohns.ca/media-release/tax-relief-commercial-and-residential-property-owners>

The City of Corner Brook

The City of Corner Brook will not charge interest on 2020 residential and commercial property tax amounts owing for the months of March and April. The City will also not charge interest on 2020 business taxes owing for the months of March and April. Outstanding balances for previous tax years will still be charged interest.

The City will provide a two month business tax holiday for qualifying businesses most significantly impacted by the COVID-19 outbreak. Businesses will have to apply for this tax holiday by completing the COVID-19 Business Tax Adjustment Form. Businesses must fall into one of the approved tax classifications. Details can be found at <https://www.cornerbrook.com/tax-relief/>.

The Town of Paradise

The Town of Paradise is deferring tax payments until the end of June. You can simply not make upcoming payments. If you have pre-authorized debits authorized, those can be deferred by completing a form. Details at https://www.paradise.ca/en/live/Property-Tax-and-Assessment.aspx?_mid_=99252#

The Town of Torbay

The Town of Torbay has deferred all tax payments, including business and commercial taxes, until June 30, 2020 with no interest. This deferral is not happening automatically. If you have pre-authorized debit plans in place, or post-date cheques, those will continue as scheduled unless you complete a Tax Payment Deferral Form. Full details at the link below.

<https://torbay.ca/article/2020-tax-deadline-extended/>

The Town of Conception Bay South

For any resident or business who has signed up for a 2020 Equal Payment Plan, the town will defer payments upon request without penalty. Payments will restart in July and will be updated to reflect payment of the balance remaining by December 31. Additionally, the town will not be charging interest on any accounts until June. Please email finance@conceptionbaysouth.ca to make deferral requests.

<https://www.conceptionbaysouth.ca/covid/>

The City of Mount Pearl

The city of Mount Pearl is waiving all interest on business tax, commercial property tax, residential tax, and water bills until September 30, 2020.

https://www.mountpearl.ca/wp-content/uploads/2020/03/Release_Tax-Relief-for-Businesses-and-Residents1.pdf

Workplace NL Payments

WorkplaceNL is deferring the collection of assessment payments from employers until June 30, 2020, and waiving interest charges or penalties. This means that all insured employers will not have to worry about paying assessments to WorkplaceNL until July 2020. This measure is to help businesses in the province during the uncertainty created by the COVID-19 pandemic. The deferral will be applied to all existing payment plans and post-dated cheques. Employers do not need to contact WorkplaceNL.

<https://workplacnl.ca/article/workplacnl-defers-assessment-payments-from-employers-until-june-30-2020/>

ACOA Payment Deferral

The Government of Canada has announced that all Regional Development Agencies, including ACOA, will apply a deferral of three months on all payments due to the government, as of April 1, 2020. This moratorium will defer payments and related interest charges to relieve some of the pressure your business may be facing. Your ACOA account managers will work with you to formalize these deferrals into an amended repayment schedule in the coming months to give you more certainty with respect to your payment obligations. <https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19.html>

BDC Support

BDC is working on the following initiatives:

- Working capital loans of up to \$2M with flexible repayment terms such as principal postponements for qualifying businesses.
- Postponement of payments for up to 6 months, free of charge, for existing BDC clients with total BDC loan commitment of \$1M or less.
- Reduced rates on new eligible loans.
- <https://www.bdc.ca/en/pages/special-support.aspx>

BCAP (Business Credit Availability Program)

- This program is making \$10 billion available to Canadian businesses in financing and credit insurance solutions through EDC and BDC.
- Businesses seeking support through BCAP should first contact their financial institutions for an assessment of their situation.

- Financial institutions will refer to EDC and BDC their existing clients whose needs extend beyond what is available through the private sector alone.
- <https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html>

Canada Emergency Business Account

- What is it?
 - \$40,000 interest-free, government-guaranteed loan to help you pay for operating costs that you're not able to defer as a result of COVID-19.
 - \$10,000 (25%) of the \$40,000 loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022.
 - If the loan cannot be repaid by December 31, 2022, it can be converted into a 3-year term loan charging an interest rate of 5%.
- To be eligible, businesses or not-for-profits must have 2019 annual payroll between \$50,000 and \$1M
- Contact your financial institution for details and application process.

Financial Assistance for Individuals

Canada Emergency Response Benefit (Replaces previous EI changes)

Ottawa announced the Canada Emergency Response Benefit on March 25, 2020. The program is designed to assist both employees who have lost their job, are sick, quarantined, or taking care of someone who is sick with COVID-19, as well as working parents who must stay home without pay to care for children who are sick or at home because of school and daycare closures. It also covers contract workers and self-employed individuals who would not otherwise be eligible for EI. It also covers workers who are still employed, but are not receiving income because of disruptions due to COVID-19.

The program will pay \$2,000 per month for up to four months. Payments will be made every four weeks and be available from March 15 until October 3. This income is taxable. Individuals will be able to apply via an online portal that is not yet available, but is expected to be available in early April. Payments are expected to be made approximately 10 days after the application date.

If a person has already applied for EI and their application is pending, they do not need to reapply. Their application will be transferred to the new system and they will receive CERB.

<https://www.canada.ca/en/department-finance/news/2020/03/introduces-canada-emergency-response-benefit-to-help-workers-and-businesses.html>

Personal Income Tax Filing Deadlines

Standard personal income tax filing deadline extended from April 30, 2020 to June 1, 2020
 If you are self-employed, the deadline is unchanged at June 15, 2020

Corporate tax filing deadlines have not been changed.

Payment of taxes

The Canada Revenue Agency will allow all taxpayers, including individuals, trusts, and corporations, to defer the payment of any income tax amounts and tax instalments that may become owing on or after March 18, 2020 and before September 2020 until September 1, 2020.

Reduced Minimum RRIF Payment Calculations

The Federal Government has proposed to reduce minimum payments by 25%. This measure is intended to allow individuals with RRIF's maintain a higher balance in those RRIF's. Since minimum withdrawal calculations are based on prior year-end investment balances, and since many RRIF's have decreased in value in step with the markets, this allows individuals to reduce their withdrawals to better reflect current investment values.

<https://www.canada.ca/en/department-finance/news/2020/03/canadas-covid-19-economic-response-plan-support-for-canadians-and-businesses.html>

If you have any questions or would like assistance understanding or availing of any of these measures, please do not hesitate to contact myself or any of our team at BDO.

Sincerely,

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