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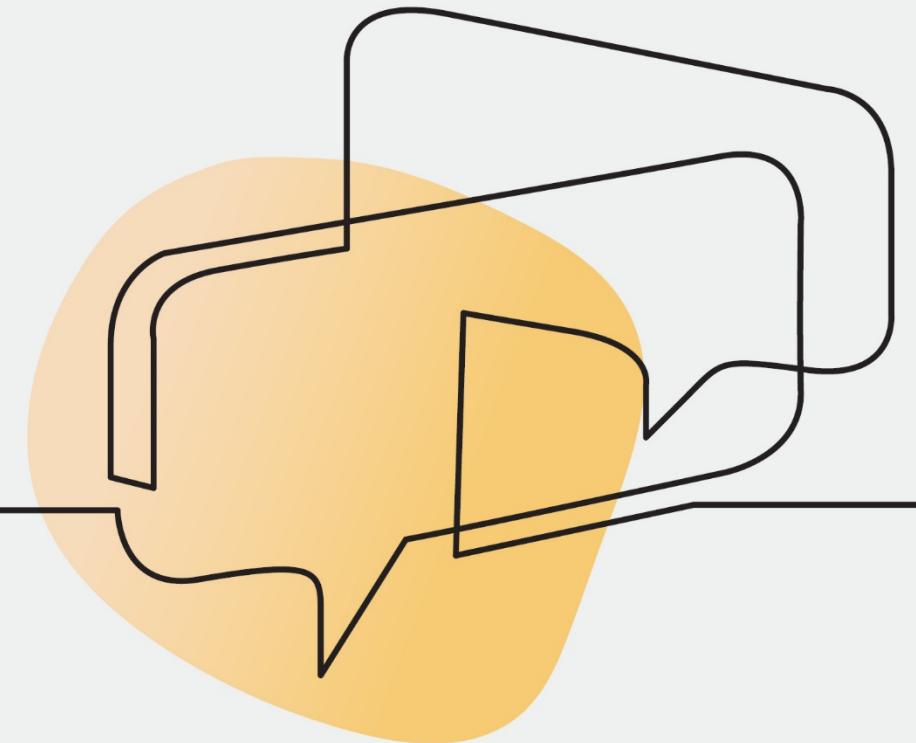
Covid – 19 Government Initiatives and Planning NGCOA - Ontario

• April 29, 2020



Wage Subsidy Programs

Barry Travers



Temporary Wage Subsidy Program (TWS)

- Temporary wage subsidy for a period of three months as follows:
- Subsidy is 10% of remuneration paid during period; maximum subsidy of \$1,375 per employee and \$25,000 per employer.
- CCPC's with taxable capital up to \$15M, partnerships, individuals (not Trusts), charities and NPO's
- Claim TWS by reducing their remittances of income tax withheld on their employees' remuneration
- TWS is deemed to be claimed for purposes of CEWS
- No need to reduce the tax remittance credited to the employee as source w/h.
- Available March 18 – June 20, 2020.

Payroll Related
Measures

Canada Emergency Wage Subsidy (CEWS)

- **Eligible Entities**

- Corporation that is not exempt from Tax (could be a foreign entity)
- Individual and Trusts
- Charity that is not a public institution
- Regular Not for Profit (NPO) entity
- Partnership with eligible entities as partners

Canada Emergency Wage Subsidy

- Reporting Periods for CEWS Claim

	Comparative	Pay Periods
March 2020	15% reduction from March/19 or average Jan/Feb/20	March 15 – April 11
April 2020	30% reduction from April/19 or average Jan/Feb/20	April 12 – May 9
May 2020	30% reduction from May/19 or average Jan/Feb/20	May 10 – June 6

Canada Emergency Wage Subsidy

- Test includes measurement of 75% of “baseline remuneration” and actual wages paid during qualifying Periods
- Baseline remuneration is average weekly pay for employee during January 1 – March 15, 2020
- Employees must effectively not be without remuneration for 14 days during a 4 week claim period to qualify for CEWS
- However CERB can be repaid on retroactive recall to obtain CEWS for the period
- Applies to wages paid for part time employees and seasonal workers
- Wages plus all benefits “paid or reported” excluding stock options

Canada Emergency Wage Subsidy

- Government will cover up to 75% of wages (Limit: \$58,700 annualized or \$847/week)
- Eligible for wages from March 15, 2020 to June 6, 2020
- Subsidy can effectively provide support for 100% of first 75% of wages paid
- Employees “related” to employers (i.e. owners) must have baseline remuneration to be eligible for subsidy therefore owner paying dividends only during Jan – March 15 will disqualify them for subsidy

Canada Emergency Wage Subsidy

- Benefit Calculation
- Subsidy is the greater of:
 - A) 75% of remuneration paid, up to a maximum of \$847 per week
 - OR
 - B) The lesser of either:
 - i. The remuneration paid, up to a maximum of \$847 per week
 - OR
 - ii. 75% of the employee's baseline remuneration

Canada Emergency Wage Subsidy

- Examples

	Baseline remuneration	Actual wages paid
Scenario I	\$800	\$800
Scenario II	\$800	\$600
Scenario III	\$1,300	\$800

Canada Emergency Wage Subsidy

- Examples

Criteria		Scenario I	Scenario II	Scenario III
The greater of:				
(A) 75% of remuneration paid, up to a maximum of \$847 per week, <u>or</u>		\$600	\$450	\$600
(B) The lesser of:	The remuneration paid, up to a maximum of \$847 per week, <u>or</u>	800	600	<u>800</u>
	75% of the employee's baseline remuneration	<u>600</u>	<u>600</u>	975
Amount of Subsidy		\$600	\$600	\$800

Canada Emergency Wage Subsidy

- **Revenue Reduction Test Components**
- Qualifying Revenues from activities In Canada include everything from arm's length sources, except the following:
 - *Revenues exclude extraordinary items and amounts on account of capital*
 - *Elections available for:*
 - Affiliated groups to all be eligible
 - 90% sales to a NAL person
 - Cash v Accrual basis

CEWS

Canada Emergency Wage Subsidy

- **CEWS Key Issues**
- CEWS claim will include the following:
- *qualifying entity*, for a qualifying period, means an eligible entity that meets the following conditions:
 - a) it files an application with the Minister in respect of the qualifying period in prescribed form and manner, before October 2020
 - b) **the individual who has principal responsibility for the financial activities of the eligible entity attests that the application is complete and accurate in all material respects**

CEWS

Canada Emergency Wage Subsidy

- CEWS Key Issues
- Penalties include **25% fine on denied claim** and up to **5 years in prison for person “attesting” to materially inaccurate submission**

CEWS

Canada Emergency Wage Subsidy

- My Business Account opened for submissions on April 27
- Claim will separately allow for refund of full actual employer portion of EI/CPP/QPP on wages for employees on leave with no limits
- 10% Temporary Wage Subsidy “eligible” for the same qualifying period will reduce CEWS claim for corresponding period
- Any EI payments under formalized Workshare program with Service Canada must be reduced from CEWS claim

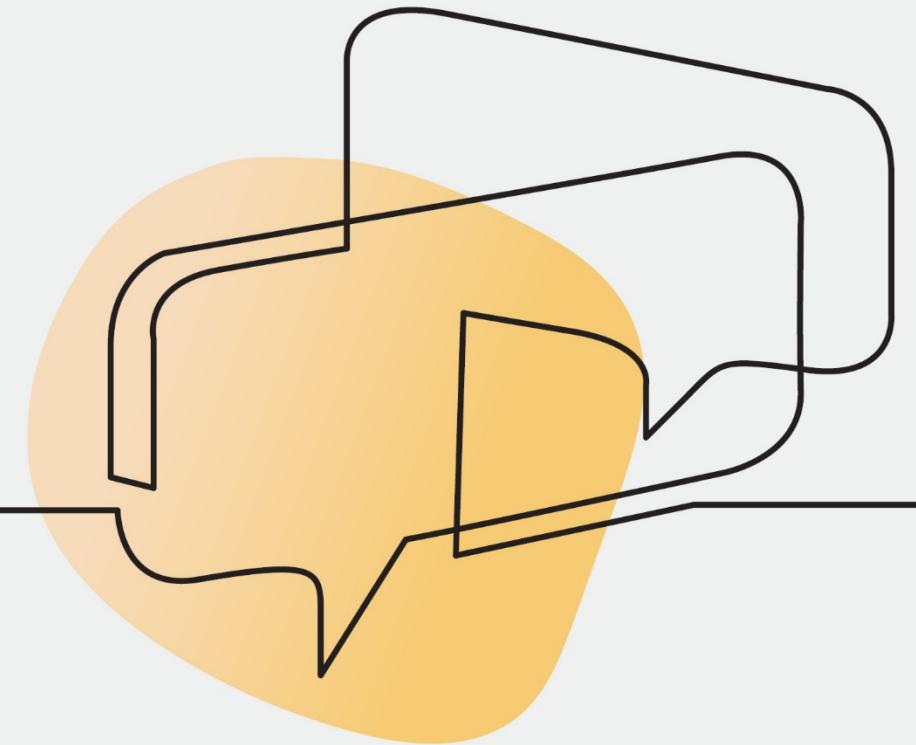
Canada Emergency Wage Subsidy

- Input to My Business site requires:
 - 1. Salaries paid in respect of the Period
 - 2. Subsidy amount and adjustments
 - 3. CFO attestation on material accuracy of information
- To the extent entity qualifies for revenue reduction in one Period it will be deemed to automatically qualify in next Period, but not two subsequent Periods
- CRA will be able to publically share information on organizations making the claim and will share info for purposes of CERB payouts

Canada Emergency Wage Subsidy

- Expected payout of subsidy within 7 – 10 days from submission
- First receipt of funds available by mid-May
- April submission will be made shortly thereafter
- Supporting documentation must be retained for follow up audits by CRA which are expected to be close to 100% verification with 3,000 new auditors to review claims

Other Government Programs and Initiatives





Canada Emergency Response Benefit (CERB)/EI

- Available to employees, self-employed, or those who are sick or caring for those who are sick
- \$2,000/month benefit for up to 4 months for those who have ceased work due to COVID-19
- Effectively supports EI program for anyone not in receipt of EI and laid-off
- CERB was not designed to be issued with Work-Share but does work with SUB plan
- Must have earned at least \$5,000 in 2019 or previous twelve months
- May earn up to \$1,000 during an eligible 4 week period

CERB/EI

- Applications for EI in process on or after March 24 were switched to CERB for ease of processing
- Workers receiving EI benefits will continue to do so
- CERB repayable if employee is recalled for retroactive periods
- Workers with wages of less than \$32,000 on an annualized basis better to stay on CERB compared to CEWS
- EI program continues to operate in conjunction with CERB – person receives one or the other – not both
- EI eligibility maintained while applicants on CERB

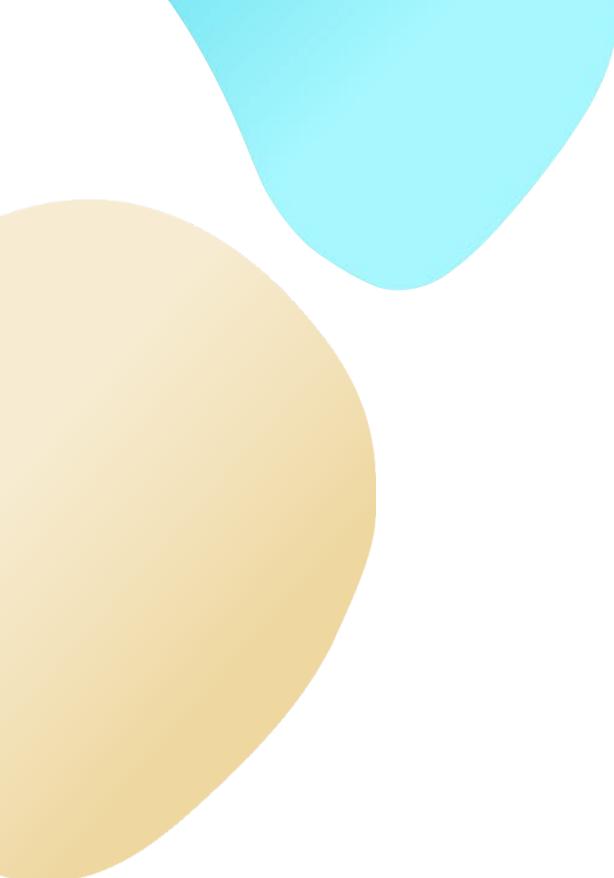


Supplementary Unemployment Benefit Program (SUBP)

- Increase weekly income of employees who are unemployed due to temporary stoppage of work
- Combined weekly payments under the SUB plan and EI can reach up to a maximum 95% of normal weekly earnings
- Payments made under SUB plan registered with Service Canada are not insurable earnings and not deducted from an employee's EI benefits
- Does not reduce entitlement to the CERB

Work-Sharing Program

- Applicable to private, publicly held, and non-profit businesses
- Applicable where there is a temporary reduction in the normal level of business activity beyond the control of the employer
- Three-party agreement involving employers, employees, and Service Canada
- Employees work, are paid by employer, and receive EI benefits
- Applies on a basis of Work Units (similar jobs)
- The amount of work reduction can fluctuate from week to week
- Program can last up to 76 weeks
- Weekly reporting requirement to Service Canada on hours worked



Tax Filings and Payments

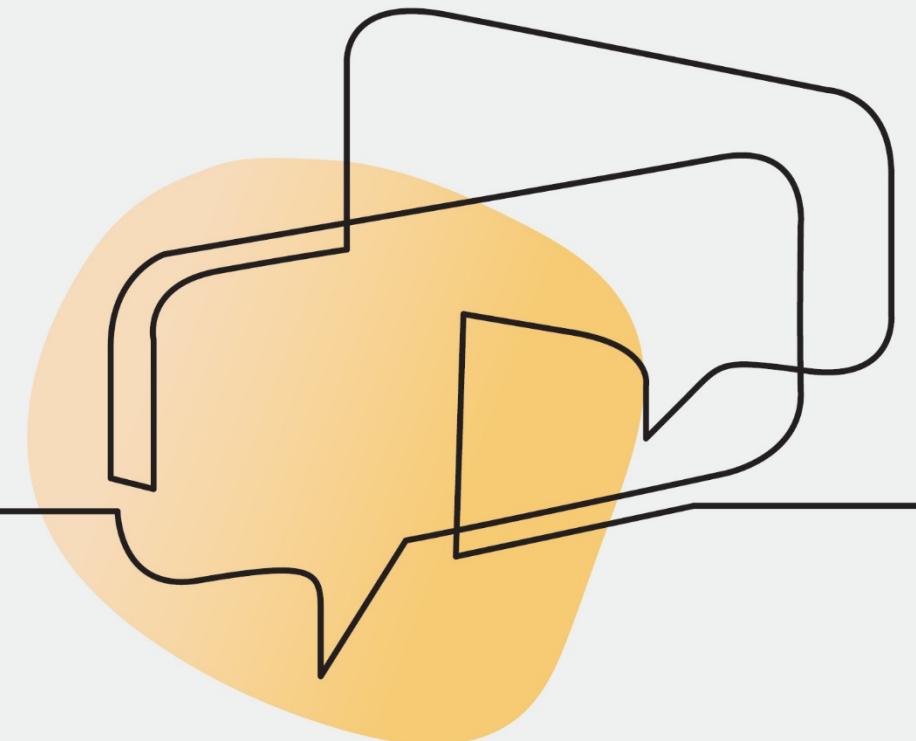
- Corporate tax returns due after March 18, 2020 but before June are deferred to June 1, 2020
- Income tax instalments and income taxes that became due on or after March 18, 2020 and before September are due September 1, 2020
- GST/HST remittances that become owing on or after March 27, 2020 and before June 2020 are deferred to June 30, 2020
- Customs duties due dates for account statements and payments of these fees for March, April, and May are extended to June 30, 2020
- No interest or penalties will apply

Canada Emergency Student Benefit (CESB)

Announced April 22, 2020, details to come

- Post-secondary students and recent graduates are eligible
- Must be ineligible for the CERB or EI
- Applicable to those who are unable to find full-time employment or unable to work due to COVID-19
- Applicable May through August 2020
- Benefit of \$1,250 per month
- Benefit of \$1,750 per month for students with dependents and those with permanent disabilities
- Administered through the CRA

Access to Federal Credit and support



David Ahern

Overview of Key Federal Credit Supports for SME's

Canada Emergency Business Account (CEBA)	Business Credit Availability Program (BCAP)	Canada Emergency Commercial Rent Assistance (CECRA)	BDC COVID-19 Working Capital Loan
<ul style="list-style-type: none">CEBA is being implemented by eligible financial institutions (FI) in cooperation with EDC.Provides interest-free loans of up to \$40,000 to small businesses and not-for-profits that had an annual payroll of between \$20,000 and \$1.5 million in 2019.Repaying the loan balance on or before December 31, 2022 will result in a 25% loan forgiveness (up to \$10,000).If loan is not repaid by December 31, 2022, the remaining balance will be converted to a three-year term loan at 5 per cent interest.	<ul style="list-style-type: none">BDC Co-Lending Program: Eligible businesses may obtain additional credit amounts up to \$6.25 million, 80% of which would be provided by BDC, with the remaining 20% by their FI.EDC Guarantee: Allows FI to issue new operating credit and cash flow term loans of up to \$6.25 million with 80% guaranteed by EDC, to be repaid within one year.Available to all businesses that were financially viable prior to COVID-19 outbreak.Eligible companies could obtain up to \$12.5 million through these two options.	<ul style="list-style-type: none">75% rent subsidy for small and medium sized businesses, NPO's, and charities affected by COVID-19 (governments to cover 50%; Property owner 25%)For businesses that pay less than \$50,000/mo in rent; and have temporarily ceased operations or experienced a 70% drop in pre-COVID-19 revenuesWhere rents reduced by at least 75% via a Rent Forgiveness AgrmtApplicable for April, May and June rents	<ul style="list-style-type: none">Working Capital loans of up to \$2 millionFlexible terms and payment postponements for up to 6 months for qualifying businesses (i.e. businesses that was financially sound pre-COVID-19 and is in need of short term liquidity funding).3 Year Term, first twelve month principal deferment.

What Lenders Are Saying

Focus on Clients

- Key focus on **existing clients**.
- Banks have reported that **companies are drawing down on their liquidity lines** where available.

Impact Across All Clients

- Some industry sectors are more affected than others, but **all clients are impacted**.
- Relationship banking is at the forefront of their messaging.

Conservative but Open for Business

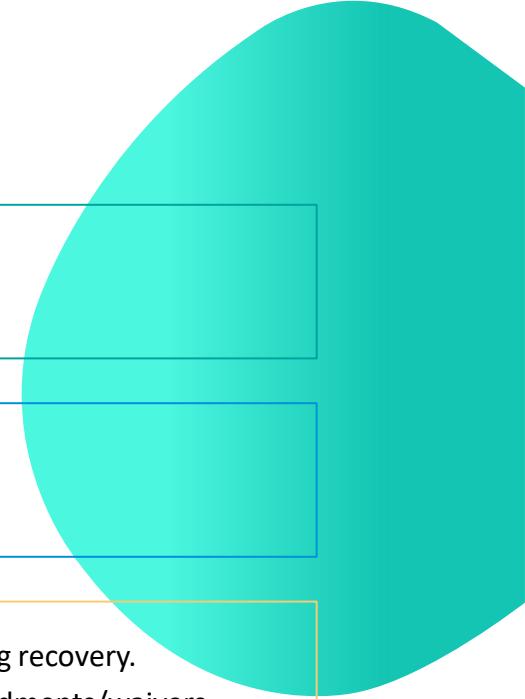
- Mid-term and long term views will be driven by COVID-19 duration and wider economic challenges during recovery.
- Expect **pricing to increase further and risk tolerance to lower** which can impact clients looking for amendments/waivers.

Providing Support

- Instances where lenders have already agreed to provide **principal deferrals and marginally increase operating lines**.
- Banks will be working together with **BDC/EDC** as part of recently announced Government-backed lending solutions.

Alternative Lenders

- Bigger players have ability to provide flexibility – covenant lite, interest only for initial period etc.
- However, given current conditions **difficult for non-existing clients to access** this type of funding **at this stage**.
- Likely to play a bigger role through any prolonged recession.



What Should Businesses Do?

Liquidity Management

- Identify opportunities to stabilize business (reduced disbursements / increasing internal sources of cash flow)
- Understand and **manage** the business' **working capital**.
- Consider the Company's covenants and borrowing availability.

Cash Flow Forecasting

- Develop **detailed liquidity forecast model**.
- Identify upcoming liquidity constraints to optimize decision making.

Fixed Costs & Overhead Review

- Identify **cost reduction opportunities** in direct costs, overheads and corporate costs.
- Reduced costs can alleviate cash burn, minimizing losses and maximizing operating runway in a downturn.

Scenario Modelling

- **Re-evaluate the status quo** and identify business and economic risks.
- Quantify the various sets of macro- and micro-economic assumptions against the company's business plan under a range of scenarios.

Stakeholder Analysis

- Identify key stakeholders and associated risks for each party.
- Provide **ongoing communication** and messaging to **ensure business continuity and minimize risks**.

Strategies for Success

1



React Swiftly

- Approach stakeholders early.
- Delays in financing requests and approvals can put further pressure on operations.
- High volumes of credit applications at banks can slow-down application processes.

2



Be Prepared

- Know the financing request: additional funding vs waiver.
- Ensure you have necessary documentation, forecasts and financials.
- Pinpoint areas of vulnerability in the near-term.

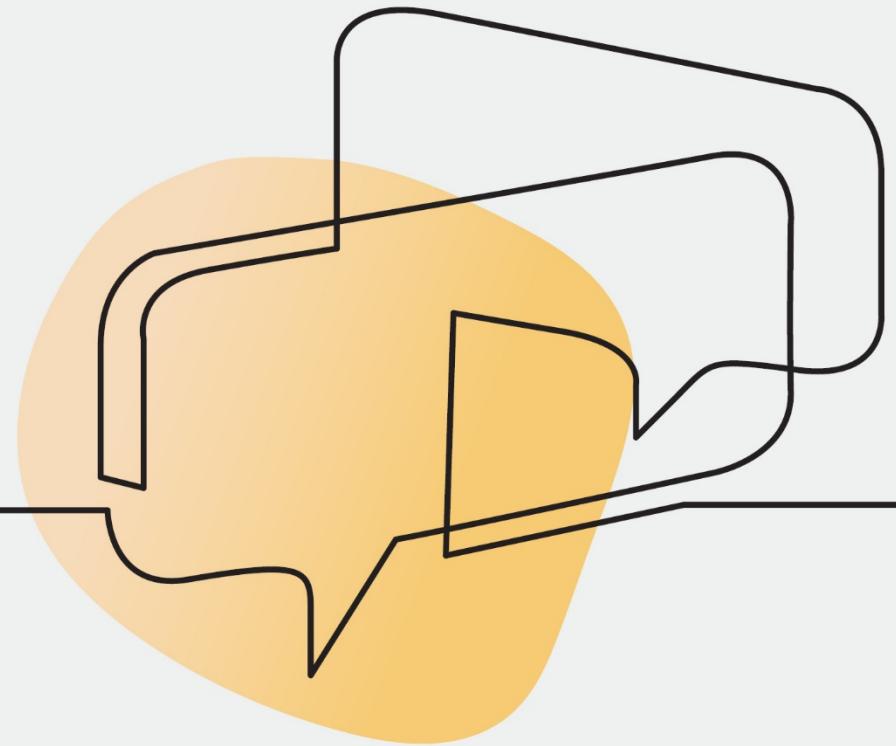
3



Open & Honest Communication

- Crucial to have open and honest dialogue with all stakeholders
- Do not underplay the current economic climate
- Maintaining strong relationships now will ensure business continuity in the future

Q&A



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