

# PRIVATE COMPANY RESILIENCE AND COVID-19: SUPPORT FOR SMALL- AND MEDIUM-SIZED BUSINESSES

*KPMG in Canada, through the Canadian Chamber of Commerce has shared their insights on COVID-19 in order to help Canadian businesses persevere and remain resilient throughout the COVID-19 crisis.*

As a business owner, you may be facing unprecedented challenges and worrying about the weeks to come. You are not alone. With the advent of COVID-19, small and medium-sized businesses (SMEs) across the country have been taking extraordinary steps to keep their business and employees safe. I am in touch with business owners every day who are asking all the right questions:

- How do I weather this storm and still maintain cash flow?
- What is the best option to help my employees?
- Which government subsidy program should I apply to? How soon will the funds be available?
- How can I access loans and credit?
- Should I pause or shut down my business until the economy rebounds?

Your best course of action will depend on your unique set of circumstances. For instance, your business may have been deemed an essential service or it may be in one of the sectors hardest hit, generating little or no revenue. Perhaps you have had to adapt your business model or adopt a virtual work environment to continue to serve your customers.

With the “new normal” upon us, I am urging KPMG clients to take advantage of an impressive array of federal and provincial government programs that offer subsidies, loans and other measures to meet urgent business needs. General information about these programs is readily available on government websites. However, it’s vitally important to stay on top of the latest developments and understand the fine print – the eligibility details and other requirements – to properly evaluate which programs will work best for you, your business and your employees.

**The Canada Emergency Wage Subsidy (CEWS):** The federal government has enacted the \$73 billion Canada Emergency Wage Subsidy (CEWS), the largest federal business program in Canadian history. The CEWS provides a 75 per cent employee wage subsidy (up to \$847 per week per employee) to eligible employers for up to 12 weeks, retroactive from March 15, 2020 to June 6, 2020.

The subsidy is available to businesses of all sizes that can demonstrate a decline of at least 15 per cent of their revenue in March 2020 and 30 per cent for the following months of April and May 2020. (See [KPMG's Tax NewsFlash](#) for more details).

Businesses must complete revenue calculations in order to qualify, and should take into account remuneration costs, timing considerations and other factors. For example, employers with furloughed employees would be required to cover the payroll costs of rehiring those employees until the wage subsidy is received. If your business has few employees, the cost-benefit analysis and calculations will be easier. For larger firms with more employees and depleted revenues, calculations will be more complex and the ability to meet even short-term payroll costs may prove difficult.

As well, the business owner or Chief Financial Officer (CFO) must complete an attestation verifying revenue, with stiff penalties for giving false information. Again, here is where KPMG can assist, working with you or your CFO to review calculations and revenue eligibility. Employers who qualify for the CEWS may in some circumstances also be eligible for a 100 per cent refund for employer contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan and the Quebec Parental Insurance Plan.

**10% Temporary Wage Subsidy:** If you don't qualify for the CEWS, you may be able to claim a 10 per cent wage subsidy, up to a maximum of \$1,375 per employee and \$25,000 per employer. This previously enacted subsidy targets small business employers.

**Canada Emergency Business Account:** For small businesses in urgent need of credit, the Canada Emergency Business Account provides loans of up to \$40,000, interest free until December 31,

2022. To qualify, businesses will need to demonstrate they paid between \$20,000 and \$1.5 million in total payroll in 2019, and confirm they intend to use the loan to continue to operate or to resume operation. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

**Canada Emergency Commercial Rent Account (CECRA):** Most recently, the federal government announced its intention to introduce the [CECRA](#), a program to help small businesses pay their rent for the months of April (retroactively), May and June. Discussions are underway with the provinces and more details are to come.

**Business Credit Availability Program (BCAP):** Through the BCAP program, Export Development Canada (EDC) and the Business Development Bank of Canada (BDC), are making available \$65 billion in direct lending and other types of financial support. Businesses are advised to contact their financial institution to apply.

**Tax Deferrals:** Federal and provincial governments are allowing businesses to defer certain tax payments. For example, the CRA will allow all businesses to defer GST/HST payments (owing on or after March 27, 2020) and defer customs duties until the end of June 2020. The deadline for businesses to file their returns is unchanged. However, with total federal tax deferrals valued at \$85 billion, businesses should make tax management a focus of their overall cash management strategy. This includes pursuing any potential tax refunds and opportunities to defer or reduce tax payments.

As we face this massive market disruption, it's clear that our collective resiliency is being tested. Some SMEs have moved beyond the initial shock of the pandemic and are working through their options to recover, with minimal lasting negative impacts to their businesses. They are adjusting their business models for today's reality and for a post-pandemic future. They are moving applications to the cloud, allowing for more remote work and training, digitalizing processes to become more efficient, and shifting customer sales and interactions online.

I am inspired by these stories and proud to be able to support the resiliency of our clients.

*Government programs are updated on a regular basis, please [contact me](#) for the latest information if you or your business need help navigating through the disruption. This article was accurate as of April 21, 2020.*