



CANADA – ADDITIONAL MEASURES IN RESPONSE TO COVID-19

RENTAL ASSISTANCE

CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE (“CECRA”)

- Under the CECRA, commercial property owners can receive forgivable loans equal to 50% of their gross rents for April, May and June 2020.
- To qualify, a commercial property owner must enter into an agreement with an *eligible small business tenant* that grants a minimum 75% rent reduction for each of April, May and June 2020, as well as an eviction moratorium during that same period.
- An eligible small business tenant is described as a business that:
 - pays no more than \$50,000 of monthly gross rent per location (pursuant to a valid and enforceable lease agreement),
 - has no more than \$20M in gross annual revenues (on a consolidated basis, at the ultimate parent level), and
 - has temporarily ceased operations (generating no revenues) or has experienced a 70% revenue decline in April, May and June 2020, compared to the same months in 2019 or an average of revenues earned in January and February 2020.
- The amount of the forgivable loan will be payable directly to a commercial property owner's mortgage lender.
- The commercial real property must be in Canada and occupied by one or more eligible small business tenants (or subtenants). The property owner must have a mortgage loan secured by the commercial real property and have reported rental income on its 2018 and/or 2019 tax return(s).

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- An alternative mechanism is expected to be implemented for unmortgaged property owners. It is also our understanding that measures may be announced in favor of larger business tenants. Additional details will be provided as they become known.
- Applications can be made retroactively to April 2020. If any rent was collected during the duration of the program in excess of the agreed upon reduction, commercial property owners must either refund the amounts received or, agree on a credit toward rents for July, August or September 2020.
- The deadline to apply is August 31, 2020, although details regarding the application process have not yet been communicated, they will be provided as they become known.

PAYROLL

CANADA EMERGENCY WAGE SUBSIDY (“CEWS”)

- A summary of the CEWS program is fully detailed in our [previous bulletins](#). In addition, we have prepared a [tool](#) to assist you in the application process for the CEWS. Due to the complex nature of these rules, readers are urged to seek out their Richter professionals so that their impact can be properly interpreted, and their wage subsidy calculations properly computed.

TEMPORARY WAGE SUBSIDY (“TWS”)

- As was previously announced, small businesses, non-profits and charities can reduce the amount of their income tax deductions at source remittances to the CRA by 10% of wages paid from March 18, 2020 to June 19, 2020, up to \$1,375 per eligible employee and up to a maximum of \$25,000 total per employer. This benefit can be accessed immediately and there is no application process.
- Eligibility for the TWS will impact a CEWS application, given that the CEWS is reduced by amounts deemed to have been received under the TWS.
- **Employers who are not eligible for the TWS**, should simply enter 0 in the part of the CEWS application which requests the TWS amount.
- An eligible employer should reduce their payroll remittances under the TWS on a go-forward basis, if they have not already done so. If they have not reduced payroll remittances, any remittances paid “in excess” will either be refunded or, they will be transferred to the following year’s remittance obligations. This may result in a reimbursement of amounts received under the CEWS.

QUEBEC HEALTH SERVICES FUND (“HSF”) CREDIT

- The Quebec government announced that it will provide a credit for employer-paid contributions to the HSF for up to 12 weeks, retroactive to March 15, 2020 in respect of employees that are on paid leave. The qualification criteria are substantially the same as that under the Federal CEWS program.
- Qualifying employers can reduce the amount of their HSF contributions as of May 1, 2020 by the amount of the credit available.
- Qualifying employers must make an application to *Revenu Québec* to obtain the credit. HSF contributions made in respect of employees that are on paid leave between March 15, 2020 and April 30, 2020 will be credited to the employer to the extent that they were not used to reduce the contributions made on or after May 1, 2020.
- The application must be filed at the time the employer submits the *Summary of Source Deductions and Employer Contributions* for 2020 and will need to be accompanied by documents and information to substantiate the amount being requested.
- Additional considerations will be applicable to “innovative SMEs” who have already reduced their HSF remittances.

OTHER

CANADA EMERGENCY STUDENT BENEFIT

- The federal government has announced a grant of \$1,250 per month, throughout the months of May to August 2020, in favor of post-secondary students who will experience financial hardship over the Summer due to COVID-19 and who are not eligible to receive the Canada Emergency Response Benefit or Employment Insurance. The amount of the grant will be equal to \$1,750 for students with dependents and those with permanent disabilities. Additional details will be provided as they become known.

INTERNATIONAL TAX

- With travel restricted and people not being able to work from their usual locations, unintended tax obligations may arise in different jurisdictions. This might occur where a Canadian company has a U.S. resident employee performing her work from her home office in the U.S., rather than the employer's Canadian office. In response, the OECD released guidance on these international tax matters to alleviate implications for employers and employees, most notably, in regard to the creation of a permanent establishment as well as the determination of residency status of a company and individuals. In general, the guidance recognizes the temporary, rather than permanent, nature of these arrangements. Although the OECD guidance is not legally binding in Canada, the tax authorities are expected to shortly issue guidance on the matter, which should be consistent with the OECD's position.

FINANCING

- A summary of the EDC and BDC programs is fully detailed in our [previous bulletins](#). Please contact your Richter professionals to better understand the requirements.