

COVID-19

UPDATE PRESENTATION

Business Implications for Independent Hearing Clinics

April 2020

The Business Challenge of COVID-19

Continue to plan for the worst case scenario



Life sounds brilliant.



Plan for **NO REVENUE** for a period of 3 months followed by 50% revenue for another 3 months

Business Survival Strategies

Business owners need to take action



Life sounds brilliant.

Dramatically reduce the base costs of your business

- Activate unpaid leaves of absence for employees and/or seek government payroll subsidies
- Eliminate marketing costs for ~3 months
- Cancel office-based contracts (subscriptions, cable, coffee, supplies, ...)

Conserve your cash

- Defer HST/GST reimbursements
- Defer income tax and property tax installments
- Defer loan and lease payments (but do not default on your contractual obligations)
- Defer office rent or your commercial mortgage payments
- Defer trade payables or consider seeking early payment discounts

Generate new cash

- Pursue interest-free, short-term government loans and grants
- Cash-in loyalty program points from company credit cards
- Inject personal equity into the business if/when necessary

Federal Government Wage Subsidy Program

More clarity is now available

Subsidy Summary:

- 75% wage subsidy for qualifying businesses
- Up to 3 months (apply per month) – legislation in place to extend expiry from June 6 to Sept 30th
- Retroactive to March 15, 2020

Eligible entities consist of:

- Individuals – including employees who do not deal at arms length (as long as they were employed prior to March 15, 2020) and new employees
- Taxable corporations
- Non-profit organizations
- Registered charities
- Partnerships, all the members of which are eligible entities.

Value:

- 75% wage subsidy on the first \$58,700 that an employee earns, to a maximum of \$847 per week
- Employer is encouraged to “top-up” the remaining 25 per cent

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Subsidy Summary:

The subsidy is the greater of:

- 75% of eligible remuneration paid, up to a maximum of \$847 per week (or nil in the case of a non-arm's length employee), or
- The lesser of either:
 - The eligible remuneration paid, up to a maximum of \$847 per week, or
 - 75% of the employee's baseline weekly remuneration

Baseline remuneration is defined as the “pre-crisis” remuneration for a given employee, which is equal to the average weekly eligible remuneration paid between January 1 and March 15, 2020 inclusively

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Bonus Refund:

- Eligible employers that qualify for the Canada Emergency Wage Subsidy may also receive a 100% refund for certain employer-paid contributions to Employment Insurance (EI), the Canada Pension Plan, the Quebec Pension Plan and the Quebec Parental Insurance Plan
- Eligible for employees for each week that these employees are on leave with pay, and the employer is eligible to claim the subsidy for those employees.
- Although not stated in the legislation, the government has announced that an employee is considered to be on leave with pay throughout a week if that employee is remunerated by the employer for that week but does not perform any work for the employer in that week. Not available for eligible employees that are on leave with pay for only a portion of a week

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The revenue decrease is calculated as follows:

Claim period	Eligibility
March 15 to April 11, 2020 (15% required reduction in revenue)	<ul style="list-style-type: none">• Refer to reference period of March 2020 over either:<ul style="list-style-type: none">○ March 2019, or○ Average of January and February 2020
April 12 to May 9, 2020 (30% required reduction in revenue)	<ul style="list-style-type: none">• Qualify for the March 2020 period, or• Refer to reference period of April 2020 over either:<ul style="list-style-type: none">○ April 2019, or○ Average of January and February 2020
May 10 to June 6, 2020 (30% required reduction in revenue)	<ul style="list-style-type: none">• Qualify for the April period, or• Refer to reference period of May 2020 over either:<ul style="list-style-type: none">○ May 2019, or○ Average of January and February 2020

Employers that qualify for a specific claiming period automatically qualify for the next period

For example: an eligible employer must attest that their revenue in March 2020 has declined 15% compared to their revenues in March 2019 to be eligible for the subsidy from March 15 - April 11, 2020 and April 12 – May 9th

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Accounting Method:

- Companies must use their normal accounting method.
- Eligible employers can also measure revenues on the basis of accrual accounting or elect to use cash accounting to determine this decline, but not a combination of both.
- Once employers select an accounting method, they must apply it throughout the program.

How to Apply:

- Eligible employer must file a prescribed form with the CRA for the qualifying period before October 2020 (form is not available yet)
- CRA's My Business Account portal and an online portal that will be available in the coming weeks
- Individual who has principal responsibility for the financial activities of the employer must attest that the application for the wage subsidy is complete and accurate in all material aspects

Penalties:

- 25% of the value of the subsidy claimed, and must also fully repay the subsidy that was improperly claimed
- Additional penalties in cases where fraud is evident

Federal Government Wage Subsidy Program



CAUTION

- Seek legal advice prior to implementation relative to your existing employment contracts
- Businesses will have to cash flow the subsidy, but will receive reimbursement via direct deposit or cheque after submitting monthly application.

Status of Canadian Emergency Response Benefit (CERB)

A program for employees



- A program providing eligible Canadians that have stopped working because of COVID-19 with temporary income support of \$2000 per month.
- If individuals received two separate payments of \$2000 CRA will contact them.
- If individuals are recalled or incorrectly paid, individuals are asked to repay by sending a cheque to the “Receiver General for Canada” for “Repayment of CERB” and include your SIN or your Temporary Tax Number to:

Revenue Processing – Repayment of CERB
Sudbury Tax Centre
1050 Notre Dame Avenue
Sudbury ON P3A 0C1

Canada Emergency Commercial Rent Assistance Program

- The Prime Minister has announced that a new Canada Emergency Commercial Rent Assistance program will assist small businesses to cover their commercial rent costs for April, May and June
- The assistance is being rolled out in collaboration with the provinces and territories as rent policy is largely a provincial and municipal responsibility.
- The Federal Finance Minister has announced that the assistance will be set up via loans (and forgivable loans) with commercial mortgage holders so that they can offer relief to their commercial tenants
- No details are yet available on the eligibility criteria, which may vary province by province

Federal Government Loan Programs

For small businesses

Canada Emergency Business Account

- A new Canada Emergency Business Account will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced
- Qualification criteria: the business or organization must have spent \$20,000-\$1.5 million in payroll in 2019. (T4 summary – Box 14)
- Up to a quarter of this loan (\$10,000) is eligible for complete forgiveness if the loan is repaid on or before Dec 31, 2022
- If not repaid by Dec 31, 2022, the remaining balance will be converted to a three-year term loan at 5% interest.

For all programs, interested businesses should work with their current financial institutions.

Modifications to Aspire Program

- The current quarterly reward period will be extended by 3 months to now be April 1, 2020 to September 30, 2020 with the subsequent Aspire rewards period being October 1, 2020 to December 31, 2020
- The current annual qualification period will be extended by 3 months from September 30, 2020 to December 31, 2020
- Your Aspire membership for 2021 will continue to be the same as your existing Aspire membership level, unless your 15-month Signia purchases from October 1, 2019 to December 31, 2020 qualifies for a higher Aspire membership level for 2021
- Going forward, Aspire membership levels will be determined on a calendar-year basis

We are committed to continuing our dialogue and demonstrating our ongoing support.

Questions?



Thank You