

# COVID-19

## Business Implications for Independent Hearing Clinic Owners

April 2020

# Updated Industry Observations and Outlook

*Credit Suisse Analyst Report April 14, 2020*

- The target patient age group of hearing device companies is the most vulnerable group to COVID-19.
- Hearing device sales historically involves close physical contact between the HCP and patient meaning the industry is impacted by social distancing under the current distribution model, although increasing interest is expected in remote fitting/adjustment technology.
- Global unit sales expected to decline by ~40% in 2020 vs 2019, then rebound by ~40% in 2021 vs 2020, and then normalize in 2022 with a growth rate of 4-5% vs 2021.
- Individual hearing device companies will be impacted differently by COVID-19 and the ensuing recessionary environment based on their business risk and end-market exposure as follows for 2020-22:
  - **Sonova**: target share price -21% and target EPS -27%
  - **GN**: target share price -15% and target EPS -31%
  - **Demant**: target share price -19% and target EPS -50%

# Funding: Canada Summer Jobs

- Deadline was February 28, 2020.
- The program provides wage subsidies to employers from not-for-profit organizations, the public-sector, and private sector organizations with 50 or fewer full-time employees, to create quality summer work experiences for young people aged 15 to 30 years.
- All funded employers will be eligible to receive a wage subsidy reimbursement of up to 100% of the provincial or territorial minimum hourly wage. Previously, private and public sector employers were only eligible to receive up to 50% of the provincial or territorial minimum wage.
- For students, introduction of the Canada Emergency Student Benefit (CESB) which would provide students who do not qualify for CERB \$1250. More details to be released.

# Rent Subsidy

*More details to come...*



Life sounds brilliant.

- Prime Minister Justin Trudeau announced a new rent subsidy program to help businesses forced to shut down due to the global pandemic, as some provinces begin to lay out plans to reopen their economies.
- Provide forgivable loans to commercial property owners to cover 50 per cent of rent payments for April, May and June.
- The loans will be forgiven if the property owner agrees to cut the rent by at least 75 per cent for those months and promises not to evict the tenant. The small business tenant must cover the remaining portion of the rent, which would be up to 25 per cent.

## **To qualify:**

- small business tenants must pay less than \$50,000 a month in rent
- They also must have experienced a revenue decline of at least 70 per cent from pre-COVID-19 levels, or
- they must have been forced to close down because of pandemic restrictions

# Be Prepared for the CEWS Application Process

The Canada Emergency Wage Subsidy (CEWS) application process opened on **Monday April 27th**. If you plan to leverage this program be prepared and make sure you have the requested information handy and complete your calculations accurately.

## Program Overview and Steps:

<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html>

## Sections:

[Who is an eligible employer: Canada Emergency Wage Subsidy \(CEWS\)](#)

[Determine your eligible employees: Canada Emergency Wage Subsidy \(CEWS\)](#)

[Calculate your subsidy amount: Canada Emergency Wage Subsidy \(CEWS\)](#)

[How to apply: Canada Emergency Wage Subsidy \(CEWS\)](#)

# Who is an eligible employer:

Canada Emergency Wage Subsidy (CEWS)



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## Eligible employers include:

- Individuals/sole proprietorships (including trusts)
- taxable corporations
- partnerships consisting of eligible employers
- And more (please contact us if you do not believe you fall under one of the above-mentioned business setups)

## Businesses must show the following reductions in revenue:

- **You must choose** one of these baseline revenue options for your method of comparison and will not be able to change it for your subsequent calculations for the other 2 periods.
- Use your normal accounting method when calculating revenue. You can use the cash method or the accrual method, but you must use the same approach throughout.

Period dates	Baseline revenue	Eligibility period revenue	Required reduction
March 15, 2020 to April 11, 2020	<ul style="list-style-type: none"><li>• March 2019, or</li><li>• Average of January and February 2020</li></ul>	March 2020	15%
April 12, 2020 to May 9, 2020	<ul style="list-style-type: none"><li>• April 2019, or</li><li>• Average of January and February 2020</li></ul>	April 2020	30%
May 10, 2020 to June 6, 2020	<ul style="list-style-type: none"><li>• May 2019, or</li><li>• Average of January and February 2020</li></ul>	May 2020	30%

**Businesses must have a CRA payroll account in place prior to March 15, 2020**

# Determine your eligible employees:

*Canada Emergency Wage Subsidy (CEWS)*



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## Eligible employees include:

- An eligible employee is an individual employed in Canada by you (the eligible employer) during the claim period, **except** if there was a period of 14 or more consecutive days in that period where they did not receive any pay (eligible remuneration) by you. **Employee eligibility is based on whether the person is employed in Canada, not where they live.**

## Retroactively hiring and paying employees

- Employees who have been laid off or furloughed can become eligible retroactively, as long as you rehire them and their retroactive pay and status meet the eligibility criteria for the claim period. You must rehire and pay such employees before you include them in your calculation for the subsidy.

## What is eligible remuneration

- Eligible remuneration includes amounts you paid an employee as *salary, wages and other taxable benefits, fees, and commissions*. **These are amounts employers would be required to make payroll deductions on to be remitted to the CRA.**
- Severance pay and items such as stock option benefits or the personal use of a corporate vehicle are not part of eligible remuneration.

# Calculate your subsidy amount:

*Canada Emergency Wage Subsidy (CEWS)*



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## How to use the calculator

- Calculate the basic CEWS using the provided spreadsheet (use link to access page that maintains the excel spreadsheet). Check often as the spreadsheet has been updated over time (currently set at v4).  
(<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html>)
- Input the amounts from the spreadsheet on this page as indicated.
- Enter the refund of employer contributions for any employees on leave with pay.
- Enter any amounts for employees receiving a Work-Sharing benefit through Employment Insurance.
- Enter the amount you are eligible for under the 10% temporary wage subsidy program for this claim period.
- Print and save the information to enter in your future CEWS application.



## 1 Choose the period for which you are calculating the wage subsidy

Select -> **March 15 to April 11 2020**

Technical issues: You might need to 'enable editing' on your spreadsheet software before you can select a claim period

## 2 Optional: complete the batch calculations

You may use the "Batches" sheet for employees who:

- earned \$1,129.33 per week or more, or
- earned \$1,129.32 per week or less, but had no reduction in pay since March 15th

Employees included in the batches **should not be repeated** in the "Weekly (52)" or "Bi-weekly (every 2 weeks)" sheets

If you are not sure if an employee should be included on the "Batches" sheet, do not include them there.

For all eligible employees that you did not include on the "Batches" sheet, **go to step 3**

## 3 Complete the sheet (tab below) that describes the pay period you use for payroll deductions: "Weekly (52)" or "Bi-weekly (every 2 weeks)"

This spreadsheet is a way to calculate the basic Canada Emergency Wage Subsidy (CEWS) for the most common pay periods. If you use multiple pay periods (e.g. your part-time and occasional employees are paid on a weekly basis and your full-time employees are paid on a bi-weekly basis), you may split information between both tabs accordingly.

Use 'Weekly (52)' for the following circumstances (and adjust your payroll figures accordingly):

- If you use an alternative pay period, such as monthly, or
- For employees who work variable hours or did not work the same number of hours in each week of the claim period.

Any period of 7 or more consecutive days for which an employee was not paid between January 1 and March 15, 2020, such as unpaid leave from work, should be omitted from the average baseline pay.

## 4 After you've completed the weekly and/or bi-weekly calculation tab(s), the "Values to use in step 2c" will appear below. Use these amounts to complete section 2 on the Canada.ca calculator and continue through the rest of the steps to determine your actual CEWS amount.

[Canada.ca wage subsidy calculator \(canada.ca/calculate-wage-subsidy\)](https://canada.ca/calculate-wage-subsidy)

Values to use in step 2c  
on Canada.ca:

Total number of eligible employees March 15 to April 11 2020	Total eligible remuneration March 15 to April 11 2020	Total basic CEWS March 15 to April 11 2020
5	\$44,225.00	\$15,564.00

The basic CEWS calculated in this spreadsheet does not include all deductions. Continue through the rest of the steps at the Canada.ca calculator for the actual CEWS amount.

## Optional calculations in batches

### Batch 1

This section is for your employees who earned \$1,129.33 or more for each week of the claim period March 15 to April 11 2020

If the employee is **not at arm's length**, they must also have earned an average of \$1,129.33 per week or more between January 1 and March 15, 2020

Employees included here **should not be repeated** in the "Weekly (52)" or "Bi-weekly (every 2 weeks)" sheets

	Number of employees (\$1,129.33/week or more)	Total gross payroll amount for all employees in batch March 15 to April 11 2020	Claim period total for category*
Employees who qualify for the weekly maximum of \$847			\$0.00

**Arm's-length:** Generally, an arm's length employee includes any employee who does not own the business (or in the case of a corporation, have a controlling interest in the corporation) and is not a member of that person's immediate family.

**Non-arm's length (not at arm's length):** A non-arm's length employee is someone who owns the business (or in the case of a corporation, have a controlling interest in the corporation) or is part of that person's immediate family.

### Batch 2

This section is for your arm's length employees who earned \$1,129.32 or less for each week of the claim period March 15 to April 11 2020 and had no reduction in pay since March 15th

Employees included here **should not be repeated** in the "Weekly (52)" or "Bi-weekly (every 2 weeks)" sheets

	Number of employees (no reduction in pay since March 15th)	Total gross payroll amount for all employees in batch March 15 to April 11 2020	Claim period total for category*
Employees that qualify for 75% of their total gross payroll			\$0.00

**Totals:** Final values to input at step 2c on Canada.ca are displayed on the "Instructions and results" sheet after completion

Eligible employees	Employee at arm's length*: yes/no	Average weekly gross pay Jan 1 to Mar 15 2020*	Weekly gross pay in respect of the claim period				Employee amount (calculated)				Claim period total for employee*					
			Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4						
An eligible employee is an individual employed in Canada by you (the eligible employer) during the claim period, except if there was a period of 14 or more consecutive days in that period in respect of which they were not paid eligible remuneration by you.			March 15 to March 21	March 22 to March 28	March 29 to April 4	April 5 to April 11	March 15 to March 21	March 22 to March 28	March 29 to April 4	April 5 to April 11	Columns B through G must be completed before this field calculates					
Wayne Gretzky	Yes	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$847.00	\$847.00	\$847.00	\$847.00	\$3,388.00	21.18%	21.18%	21.18%	21.18%	Topped out at \$847.00 weekly
Ryan Reynolds	No	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$847.00	\$847.00	\$847.00	\$847.00	\$3,388.00	21.18%	21.18%	21.18%	21.18%	Topped out at \$847.00 weekly
Sidney Crosby	Yes	\$1,000.00	\$1,500.00	\$800.00	\$1,325.00	\$1,200.00	\$847.00	\$750.00	\$847.00	\$847.00	\$3,291.00	56.47%	93.75%	63.92%	70.58%	
Blake Lively	No	\$1,000.00	\$1,500.00	\$1,000.00	\$600.00	\$600.00	\$750.00	\$750.00	\$600.00	\$600.00	\$2,700.00	50.00%	75.00%	100.00%	100.00%	
Celine Dion	Yes	\$1,000.00	\$1,500.00	\$1,000.00	\$600.00	\$600.00	\$847.00	\$750.00	\$600.00	\$600.00	\$2,797.00	56.47%	75.00%	100.00%	100.00%	

# Submission Requirements

**\* Total number of eligible employees (required)**

Do not include spaces or commas

**\* Total eligible remuneration paid to these employees during this claim period (required)**

 

Do not include spaces or: \$, .

**\* Total basic CEWS for these employees during this claim period (required)**

 

Do not include spaces or: \$, .

**\* Total EI and QPIP premiums that you paid on salary to eligible employees (for the claim period) (required)**

 

Do not include spaces or: \$, .

**\* Total CPP and QPP contributions that you made on salary to eligible employees (for the claim period) (required)**

 

Do not include spaces or: \$, .

## Deductions

**\* Amount that you are eligible to claim under the 10% Temporary Wage Subsidy for Employers (for the claim period) (enter \$0 if not applicable) (required)**

[10% Temporary Wage Subsidy for Employers amount](#) 

 

Do not include spaces or: \$, .

**\* Total amount that your eligible employees have received under ESDC's Work-Sharing benefit program (for the claim period) (enter \$0 if not applicable) (required)**

 

Do not include spaces or: \$, .

## Need to Sign Attestation Document

▼ [Download: Attestation for owner/managers and/or senior employees](#)

If you are completing the application as a representative of an employer, you are required to have the owner (or person who is financially responsible) complete and sign an attestation form. Keep this signed form in case we ask you to submit it in the future.

**Download:** [Attestation for owner/managers and/or senior employees \(PDF\)](#)

There are **three ways** to apply:

- 1 Most businesses may apply using My Business Account

[Sign in to My Business Account](#) [Register for My Business Account](#)
- 2 Business representatives may apply using Represent a Client

Note: Only representatives authorized at **Level 2 or 3** will be able to apply

[Sign in to Represent a Client](#) [Register for Represent a Client](#)

▶ [Download: Attestation for owner/managers and/or senior employees](#)
- 3 If neither are an option for you, use the Web Forms application with your web access code. If you do not have a web access code, you will need to provide the date of registration or the total income tax reported in box 22 of the most recent original 2018 tax year submitted T4 summary.

[Sign in to the Web Forms application](#) [Get a web access code \(WAC\)](#)

# Calculate your subsidy amount:

## *Canada Emergency Wage Subsidy (CEWS)*

- Beginning April 27, applications will have been open for the Canada Emergency Wage Subsidy.
- Most businesses may apply using My Business Account.  
<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html>
- Alternatively, you may apply using a separate online application form (available since April 27).
- The CEWS will be processed at the payroll program (RP) account level, so you will have to file a separate application for each RP account.

### **Incorrect or fraudulent claims**

- If you do not meet the Canada Emergency Wage Subsidy eligibility requirements for a period, you will be required to repay any amounts you received for that period.
- Penalties may apply in cases of fraudulent claims including fines or even imprisonment.
- If you artificially reduce your revenue for the purpose of claiming the wage subsidy you will be required to repay any subsidy amounts you received plus a penalty equal to 25% of the total value.

### **Keep your records**

You must keep records demonstrating your reduction in revenues and remuneration paid to employees.

# 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 \$2,000 per month.
- If individuals received two separate payments of \$2,000 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

# Specific Questions on the Program?

Email: [dave.biddiscombe@sivantos.com](mailto:dave.biddiscombe@sivantos.com); [philip.hipkiss@sivantos.com](mailto:philip.hipkiss@sivantos.com)

**What is your specific question:**

**Information Requested in your email:**

1. Is the company incorporated, or a sole proprietorship?
2. If the company is a sole proprietorship; do you have a business bank account?
3. How many locations does the business have?
4. How many employees?
5. Have you applied for the \$40k interest free loan?
6. Have you been using the 10% wage subsidy?
7. Do you have a finance lead? Or do you have a payroll support?
8. Do you have any non-arms length employees? *(with the exception of yourself as the business owner)*
9. Do you provide employee benefits *(car, RRSP, etc?)*



# Questions?



# Thank You