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GOVERNMENT PROGRAMS HOW THEY HELP YOUR BUSINESS

Tax Filing Deadlines and Payments

Tax filing and payment extensions have been announced to provide relief to taxpayers. The following are the more relevant changes for this discussion:

Federal

Individuals

- Filing date extended to June 1, 2020.
- Payment date deferred until September 1, 2020.
- June 15 instalment payment deferred until September 1, 2020.

Self-employed individuals

- Filing date extended to June 15, 2020.
- Payment date deferred until September 1, 2020.
- June 15 instalment payment deferred until September 1, 2020.

Corporations

- Filing date extended to June 1, 2020 for returns due after March 18 and before June 1, 2020.
- Payment date deferred until September 1, 2020 for balances due under Part 1 on or after March 18 and before September 1, 2020
- Payment date deferred until September 1, 2020 for March to August instalments due under Part 1.



GST/HST

- Filing date is unchanged
- Payment date deferred until June 30, 2020 for GST/HST payments and import/export duties due before June 30, 2020.

Payroll source deductions

- no change

For more detail on these and other deferrals, follow this link.



<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html>

Provincial

- NL has extended the tax return filing deadlines for the following returns:
 - Gasoline Tax
 - Carbon Tax
 - Health and Post-Secondary Education Tax
 - Insurance Companies Tax
 - Mining and Mineral Rights Tax
 - Tax on Insurance Premiums
 - Tobacco Tax
- No extension for returns required from interjurisdictional carriers.
- Payment of taxes owing for the February, March and April reporting periods is deferred until June 23, 2020.
- Provision to provide relief from interest and penalties if taxes owing cannot be paid.

More detail on the provincial government deferrals can be found here.



<https://www.gov.nl.ca/releases/2020/fin/0407n05/>

While many filing dates have been extended, it would be advisable to get returns filed on time so that you are aware of and can plan payment of any amount owing or you can obtain any refund due to you in a timely manner.

With respect to amounts owing, please keep in mind that these are only deferrals and the amounts will eventually have to be paid.

GOVERNMENT SUBSIDIES

Canada Emergency Wage Subsidy (CEWS)

The CEWS is a subsidy program to encourage employers to maintain their pre-pandemic workforce. The following is a highlight of some of the aspects of this program:

- 12-week program running from March 15, 2020 to June 6, 2020.
- Apply through the My Business Account Portal but not yet available.
 - Businesses of all sizes and across all sectors. Excludes public bodies
 - Must have suffered a decrease in revenue of at least 15% in March and 30% in April and May.
- Non-repayable subsidy which covers up to 75% of the first \$58,700 of an employee's eligible payroll to a maximum benefit of \$847 per week.
- Calculation of subsidy:
 - eligible employee that deals at arm's length with the eligible entity.
 - Greater of:
 - 75% of the amount of eligible remuneration paid, up to a maximum benefit of \$847 per week; and
 - the amount of eligible remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee's pre-crisis weekly remuneration, whichever is less.
 - non-arm's length employee.
 - limited to the eligible remuneration paid between March 15 and June 6, 2020, up to a maximum benefit of the lesser of:
 - \$847 per week, and
 - 75% of the employee's baseline remuneration.
 - Essentially no subsidy in respect of a non-arm's employee hired after March 14th.
 - Excludes revenue from non-arm's length sources, extraordinary items and amounts on account of capital.
 - Can use accrual or cash method of accounting but method chosen must be used for all three periods.
 - Can compare March, April and May 2020 revenue to:
 - the revenue for the same month in the prior year OR
 - the average revenue for January & February 2020.
 - Method of comparison chosen must be used for all three periods.
 - Affiliated groups can compute revenue on a consolidated basis and groups who normally report on a consolidated basis can chose to report on an individual entity basis.
 - Special rules for organizations earning revenues from non-arm's length parties.
 - If employer qualifies in one claiming period, they will automatically qualify for the immediately following qualifying period.
 - 100% refund of certain employer paid contributions to CPP and EI for employees on paid leave if eligible for CEWS.
 - Reduced by 10% temporary wage subsidy.
 - Must repay amount received and could also be liable for penalties if false or incorrect claims.
 - Taxable income in the year received.

For more information on the CEWS please use the following link.

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





Temporary Wage Subsidy

The Temporary Wage Subsidy program is a temporary measure to allow employers to reduce the amount of payroll deduction required to be remitted. The following is a highlight of some of the aspects of this program:

- 12-week program March 8, 2020 to June 19, 2020.
- No application required. Claimed by way of reduction in payroll income tax remitted to CRA.
- Eligible employer:
 - Individual
 - CCPC eligible for small business deduction for their last taxation year.
 - Non-profit organization
 - Registered charity
 - Partnerships whose members are solely individuals (excluding trusts), Registered charities or CCPCs eligible for SBD.
- Non-repayable subsidy of 10% of eligible remuneration paid, up to \$1,375/employee.
- Max \$25,000 per employer (associated corporations do not have to share this limit).
- Unclaimed amounts can be carried forward.
- Reduces the amount available under CEWS.
- Taxable income in the year received.

More information on the Temporary Wage Subsidy can be found here:



<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>

CASH IS KING

Liquidity will be a significant concern for business in these challenging times. How will you meet your financial obligations?

Cash flow projections

- Always a good idea but now more important than ever.
 - Short, mid and long term.
 - Link to cashflow template can be found [here](#).
- Needed for management purposes and likely also likely needed by borrowers to determine the amount of credit needed and the eventual ability to repay it.
- Monitor actual results against projected.
- Remember deferred HST and tax payments will have to be made up in June and September.
- Deferred provincial remittances will have to be made up in June.



Loan Programs

- Canada Emergency Business Account (CEBA)
 - \$40,000 loan with no interest or payments due prior to Dec 2022. 5% interest after that.
 - \$30,000 forgiven if \$30,000 repaid by Dec 2022.
 - 2019 payroll of between \$20,000 and \$1.5M based on your T4 Summary Box 14 to qualify.
 - Apply through your primary banking institution, generally online.
 - For more information on the CEBA please [click this link](#).
- Business Credit Availability Program (BCAP)
 - Administered by your primary banking institution.
 - BDC Co-Lending Program: Up to \$6.25M term loans for operational cash requirements. Available soon.
 - EDC Guarantee Loan Program: Up to \$6.25M operating credit or cash flow term loans for operational cash requirements. Available now.
- Canada Emergency Commercial Rent Assistance (CECRA)
 - Few details - more to come.
 - Will provide loans and/or forgivable loans to commercial property owners who reduce or forego rent to small business tenants.
 - For months of April, May and June.
 - For more information on the CECRA please [click this link](#).



<https://www.canada.ca/en/department-finance/economic-response-plan.html>

- BDC existing lending products such as the \$100,000 Small Business Loan.
- Farm Credit Corporation expanded lending capability.

Banking Relationships

- Communication is more important than ever to assist with access to credit.
- Request deferrals where necessary but consider the interest cost.
- Consider the potential for interest rate adjustments in this lower interest rate environment.
- Refinance high interest loans and/or leases if possible.
- Review banking financial covenants and borrowing base requirements. Request tolerances if necessary.
- Consider your reporting requirements including annual financial statements.



Cash In Considerations

- Consider customer financial stability. Implement credit checks. Be cautious with new customers.
- Accelerate and look to electronic delivery of invoices and receivables statements.
- Offer new payment methods: EFT, Credit Card, Interac e-transfers.
- Early payment discounts.
- Eliminate low margin revenue & customers that consume too much cash.

Cash Out Considerations

- Review supplier payment terms and take advantage of deferrals.
- Review your lease and discuss deferrals with your landlord.
- Line by line review of expenses. What are you paying for now that you no longer need? Examples: cut energy usage; and park company vehicles.
- Scale HR to needs.
- Inventory levels.
- ACOA 3-month repayment deferrals.

Conclusion

Plan ahead. Identify liquidity issues now and start to work on addressing them now.

As with most decisions in life and business, you must consider cost versus benefit. You would not implement measures that will cost more (such as additional interest on debt) unless necessary.

SEIZE OPPORTUNITY IN THE WAKE OF DISRUPTION: TIME TO GROW STRONGER

Businesses that will survive and prosper post COVID-19 will be the ones that have the ability look beyond the present crisis to opportunities before them.

The following are some suggestions for consideration to develop strategies your own business to look to the future and surviving and prospering post Covid-19.

Communication with Key Stakeholders

First and foremost, focus on communicating with your key stakeholders.

I don't think we could emphasize enough the importance of this to your business continuity and success.



- **Customers**

Customer retention and building customer loyalty is a critical success factor, even more so during times like this.

- Consider developing new ways of delivering your product or service
- Look for opportunities for regular check in and touch points to keep your customers connected.
- Limited resources will require you to evaluate your customers, remember the 80/20 rule and consider where you are focusing your efforts. Focus efforts on clients that will produce positive returns.
- Opportunities may exist for new client acquisition as your competition also struggles with this situation. As a result, there may arise opportunity to expand your customer base.
- Key to achieving this market increase will be identifying differentiating factors from your competition. This is a great time to look at your core strengths and how you can demonstrate where you bring value.
- Capitalize on the appeal to buy local / support local business initiatives - twitter and social media support for this initiative is significant and can be capitalized on.
- You may find new product opportunities arise from this crisis and offer you the ability to expand your product or service line.
- Look to your client needs and ask yourself – how can you help them -that may generate new ideas and result can pay dividends.

- **Suppliers**

Communication is key to avoiding disruption in supply.

- Will suppliers be able to meet your demand once activity starts to increase?
- Review your supply chain needs look forward for the next 3 – 6-month time period.
- Be aware of the disruption the shutdown of production is causing in other countries around the world. Look to the origin of your products and how the cessation of business in many countries could impact your supply chain.
- Are you receiving what you need from your suppliers? Take this down time to research and find alternate supplier sources, this may assist with improved margins on products and overall profitability for the business.
- Perhaps through this research you may find a completely new product offerings to provide to expand your offerings or appeal to new customers.
- Look for opportunity for diversification of your business; diversification reduces business risk.
- When we are very busy, we often do not have the time to do such things. COVID 19 has provided an unusual circumstance where you may find yourself with this time. Take advantage of this opportunity of having time to see how you can pivot your business.



- **Employees**

Third stakeholder to consider is your employees.

- This situation can provide you with the opportunity to evaluate your staffing and employee needs.
- Consideration should be given to what staffing you will need post COVID-19.
- Take this opportunity to review your employee abilities and the traits that you want your team to have post COVID-19.
- Focus on your best employees – look at who has risen to the challenge.
- Maybe you have some underperformer, and this will provide you with the opportunity to remove unproductive individuals (legal advice should be received on permanent severance).

Operational efficiency

Review business model and business processes with a focus to achieve lean and efficient operations.

- With business operations disrupted, you may find yourself with the time to be able to review how you conducted business before Covid-19.
- Many businesses have been thrust into finding innovative ways to maintain some level of sales. Consider how keeping these processes will fit in your business when operations return to normal.
- Look at how technology has impacted your business and what items/ best practices will you retain post COVID-19.
- Consider areas of your business process that are not necessary to critical supply of your product or service to your customer? Is this adding additional cost without additional benefit.
- Permanent changes which may result in permanent cost savings.

Leadership

- Recognize that the COVID-19 event will change how we do business go forward.
- Position your business as a leader in its respective industry, adaptive to change and developing the ability to pivot to survive.
- Demonstrate to key stakeholders that you have a plan forward for your business. Look to what opportunities may present themselves and act nimbly to capitalize on these.
- Depending on how long this pandemic continues to cause the current economic slowdown, it is going to be an unfortunate fact that not all businesses will survive. Those that do not survive may have been victim to a weak balance sheet or lacked the ability to pivot with the challenges before them.
- Leadership is the ability to focus on post COVID-19, ceasing opportunities such as acquisition or merger of struggling or synergistic businesses.
- Businesses may want to look to be open to non-traditional opportunities post COVID-19.

I hope some of these suggestions you find helpful to start thinking of what direction your business will follow and what opportunities you will find during and post Covid 19.