

## IMPORTANT UPDATES

### Canada Emergency Rent Subsidy (CERS)

The Government of Canada has passed legislation for a new rent assistance program, the Canada Emergency Rent Subsidy (CERS), for commercial and industrial tenants negatively impacted by COVID-19 that will be implemented retroactively to September 27, 2020 and is available to entities that both rent or own the property that they occupy. The previous rental program, Canada Emergency Commercial Rent Assistance (CECRA), has ended. The subsidy covers up to 65% of eligible expenses, plus a 25% top up for entities forced to close due to government restrictions. Please see below a summary of the new CERS program.

The information contained in this post is current as of November 25, 2020 and includes our interpretations of publicly-available information that is subject to change during this rapidly-evolving pandemic. As more information becomes available from the Department of Finance and/or the Canada Revenue Agency, we will continue to provide you updates.

Please visit the following link for full details on the CERS program: [CLICK HERE TO READ FULL DETAILS](#)

#### Items of note:

- ❖ Applications can be made through CRA My Business Account
- ❖ The purpose of the CERS program is to provide relief directly to qualifying organizations economically impacted by COVID-19.
- ❖ The current legislation covers the first 12 weeks of the program, from September 27, 2020 to December 19, 2020. The whole program will run until June 2021.

#### Additional Details:

Eligibility	<p>Eligible entities include:</p> <ol style="list-style-type: none"> <li>1) Individuals</li> <li>2) Taxable corporations and trusts</li> <li>3) Non-profit organizations and charities</li> <li>4) Partnerships that are up to 50% owned by non-eligible members</li> <li>5) Indigenous government-owned corporations that are carrying on a business, as well as partnerships where the partners are Indigenous governments and eligible entities</li> <li>6) Registered Canadian Amateur Athletic Associations</li> <li>7) Registered Journalism Organizations</li> <li>8) Non-public colleges and schools, including institutions that offer specialized services</li> </ol> <p>An eligible entity must meet one of the following criteria:</p> <ol style="list-style-type: none"> <li>1) Have a payroll account as of March 15, 2020 or have been using a payroll service provider;</li> <li>2) Have a small business number as of September 27, 2020 and satisfy CRA that it is a bona fide rent subsidy claim; or</li> <li>3) Meet other conditions that may be prescribed in the future</li> </ol>
Program Benefits	<ul style="list-style-type: none"> <li>❖ The maximum subsidy is 65% of eligible expenses for entities with a revenue drop of 70% or more</li> </ul>

	<ul style="list-style-type: none"> <li>❖ There will be an additional 25% top up for entities forced to close due to government restrictions</li> <li>❖ The subsidy is on a sliding scale, declining to 40% for entities with a revenue drop of 50%, and then gradually decreasing to 0% for entities not experiencing a drop in revenue</li> </ul>
Applications	<ul style="list-style-type: none"> <li>❖ Applications can be made online through CRA on My Business Account or Represent a Client</li> <li>❖ Companies are required to obtain a CERS (ZA) number before applying, which can be done through My Business Account or Represent a Client</li> <li>❖ A separate application must be made for each 4 week claim period. A maximum of 3 properties can be claimed. If a business has more than 3 properties then the application should include the 3 properties with the highest eligible expenses</li> <li>❖ Businesses will need to provide to following information:             <ul style="list-style-type: none"> <li>i. Amounts owed or paid for all eligible expenses</li> <li>ii. Property address</li> <li>iii. Name and contact information of the mortgage holder if you have a mortgage or landlord if you are renting</li> </ul> </li> <li>❖ The maximum eligible expenses which can be claimed by an affiliated group is \$300,000. If multiple companies within an affiliated group are applying for CERS, they must agree on how the \$300,000 limit for eligible expenses will be split. Affiliated entities claiming CERS for the same period will need to provide:             <ul style="list-style-type: none"> <li>i. The number of affiliated entities</li> <li>ii. Percentage assigned to each entity as agreed on</li> <li>iii. Business number for each affiliated entity</li> </ul> </li> <li>❖ CRA has provided a calculator to calculate the subsidy amount. <a href="#">CLICK HERE TO USE</a></li> <li>❖ Companies can expect their subsidy within 3 to 8 days if they have direct deposit set up, or 14 days by cheque</li> </ul>
Calculating Revenues	<ul style="list-style-type: none"> <li>❖ Revenues will be calculated in the same manner as under the Canada Emergency Wage Subsidy program</li> <li>❖ The entity's revenue is revenue from ordinary activities in Canada such as selling goods, rendering services, and others' use of your resources, earned from arm's-length sources, excluding extraordinary items</li> <li>❖ Revenue can be calculated using the accrual or cash method, but a company must use the same method for all claims</li> <li>❖ Revenue related to certain non-arm's length transactions and affiliated groups must be subtracted from qualifying revenue unless the entity is a charity</li> <li>❖ Non-profits and charities are allowed to choose whether to include revenue from government sources as part of their calculation. Once chosen, the same approach has to apply throughout the entire program</li> <li>❖ An entity can calculate its decline in revenues using the general approach or alternative approach. They must use the same approach for each of the first three claim periods:             <ul style="list-style-type: none"> <li>i. General approach compares the current claim month or the preceding month to the same month in 2019</li> <li>ii. Alternative approach compares the current claim month or the preceding month to the average of January and February 2020</li> </ul> </li> </ul>

Eligible Expenses	<ul style="list-style-type: none"> <li>❖ Eligible expenses in a qualifying period include <b>commercial rent, property taxes, property insurance, and interest on commercial mortgages</b></li> <li>❖ Expenses must be incurred in respect of a Qualifying Property. A qualifying property is real or immovable property in Canada that the business owns or rents and uses in the course of ordinary business activities</li> <li>❖ Eligible expenses are limited to those paid or payable in respect of the claim period under agreements in writing entered into before October 9, 2020</li> <li>❖ Payments made between non-arm's length entities are not eligible</li> <li>❖ Maximum expenses for each period are \$75,000 per location to a total of \$300,000 that would be shared among affiliated entities. This maximum only applies to the base subsidy. There is no limit to the 25% top up</li> </ul>
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### Methods to Apply for CERS

- ❖ Sign in through CRA's My Business Account
- ❖ OR ask your Ford Keast representative to assist you with filing using our CRA *Represent a Client* access

### Ask Your Ford Keast Representative

The new CERS program contains many complexities around eligibility and calculations as part of your submission. Ford Keast is happy to assist you with CERS as follows:

- ❖ Determining if you are eligible to claim the CERS
- ❖ Calculating the decline in revenue required to be eligible for the CERS, including determining on which basis revenues should be calculated
- ❖ Analyzing your property costs to determine eligible expenses for which the subsidy can be claimed
- ❖ Calculating the CERS available per property
- ❖ Filing your CERS application
- ❖ Assisting with preparation of supporting documents to be kept on file for all CERS applications in support of future CRA reviews

### Strict Penalties

Abuse of the CERS program may result in a penalty of up to 25% of the benefit received (plus full repayment) and up to five years imprisonment. Penalties/ punishments under existing provisions of the Income Tax Act will also apply if a business makes a deceptive statement. Please ensure to exercise the utmost caution when preparing your CERS application as the Canada Revenue Agency will conduct audits to verify the required decline in revenues as well as the CERS eligible expenses. The applications are the responsibility of the person who has control over the financial activities and this individual is required to attest to completion and accuracy of the application and can be held responsible for the application and subject to fines and penalties for incorrect or deceptive claims. To ensure compliance with the strict standards and legislation surrounding the CERS program, please contact your Ford Keast representative if you are unsure about any items contained in the application.

### **Assistance with Other Government Programs**

In addition to the CERS program, there are many other programs and incentives that have been made available for both business and individuals on both the Federal and Provincial level. Ford Keast is available to assist you as we navigate through these times and to answer any questions regarding your eligibility for these programs. If you have questions or concerns or would like to discuss any aspect of the available programs, please contact your Ford Keast representative.

#### **Sources for the information above are:**

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

<https://www.canada.ca/en/department-finance/news/2020/11/canada-emergency-rent-subsidy.html>

<https://www.canada.ca/en/revenue-agency/news/2020/11/canada-emergency-rent-subsidy.html>