



COVID-19 Government Initiatives for Businesses

Credit Availability Program

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The Government of Canada has introduced a wide range of measures to help businesses access credit to help cover operating costs with the economic fallout of the COVID-19 pandemic and necessary social distancing measures. This release provides the current state of the measures as of January 27, 2021.

Topics covered include:

1. Canada Emergency Business Account
2. EDC Business Credit Availability Program (BCAP) Guarantee
3. BDC Co-Lending Program for Small and Medium Enterprises
4. Highly Affected Sectors Credit Availability Program – added January 27, 2021

Other business measures including wage subsidies to employers, subsidies for rent and similar costs, tax payment deferrals and measures directly in support of families and individuals are the subject of five separate releases.

[COVID-19 Government Initiatives for Business — Wage Subsidies](#)

[COVID-19 Government Initiatives for Businesses — Subsidies for Rent and Related Costs](#)

[COVID-19 Government Initiatives for Businesses — Deferrals and Other Supports](#)

[COVID-19 Government Initiatives for Individuals — Work from Home Expenses](#)

[COVID-19 Government Initiatives for Families and Individuals](#)

CANADA EMERGENCY BUSINESS ACCOUNT

The Canada Emergency Business Account (CEBA) initially provided interest-free loans of up to \$40,000 to small businesses and non-profits, to help cover their operating costs (payroll, rent, utilities, insurance, and property tax or debt service) during a period where their revenues have been temporarily reduced. It is 100% funded by the Government of Canada, and has now been expanded by \$20,000 to a maximum of \$60,000. Note that the \$20,000 expansion must be taken in full, and that any new applications must be for the full \$60,000.

If the loan is repaid by December 31, 2022, 25% (up to \$10,000) of the initial loan of \$40,000 (or less) and 50% of the expansion amount of \$20,000 will be forgiven. If not repaid by December 31, 2022, the remaining balance will be converted to a three-year term loan at 5% interest per annum.

The maximum amount of forgiveness is \$20,000, based on a full \$60,000 loan of which \$40,000 has been repaid by December 31, 2022. We understand that in some cases the initial \$40,000 loan was set up as a line of credit to be drawn upon as needed, and that in some cases the financial institution acted to ensure that the line was fully drawn and immediately paid down to its previous balance to ensure maximum forgiveness.

Applications for the CEBA and/or the \$20,000 expansion must be filed no later than March 31, 2021.

Eligibility Requirements for the CEBA

- The Borrower is a Canadian operating business that was in operation as of March 1, 2020.
- The Borrower has a federal tax registration.
- The Borrower's total employment income paid in the 2019 calendar year was between \$20,000 and \$1,500,000. For applicants with \$20,000 or less in total employment income paid in the 2019 calendar year:
 - o The Borrower has a Canada Revenue Agency business number and has filed a 2018 or 2019 tax return.
 - o The Borrower has eligible non-deferrable expenses between \$40,000 and \$1,500,000. Eligible non-deferrable expenses could include costs such as rent, property taxes, utilities, and insurance. Expenses will be subject to verification and audit by the Government of Canada.
- The Borrower has an active business chequing/operating account with the Lender, which is its primary financial institution. While the Program initially required that the Borrower had an active business account with its Lender as of March 1, 2020, as of October 26, 2020 it is only necessary to have such an account at the time of borrowing.
- The Borrower has not previously used the Program and will not apply for support under the Program at any other financial institution.
- The Borrower acknowledges its intention to continue to operate its business or to resume operations.
- The Borrower agrees to participate in post-funding surveys conducted by the Government of Canada or any of its agents.

Excluded Borrowers

Per the requirements of the Program, as set out by the Government of Canada, the Borrower confirms that:

1. It is not a government organization or body, or an entity owned by a government organization or body;
2. It is not a union, charitable, religious or fraternal organization or entity owned by such an organization unless the entity is actively carrying on a business in Canada (including a related business in the case of a registered charity) that earns revenue from the regular supply of property/goods or services;
3. It is not an entity owned by any Federal Member of Parliament or Senator;
4. It does not promote violence, incite hatred or discriminate on the basis of sex, gender identity or expression, sexual orientation, colour, race, ethnic or national origin, religion, age, or mental or physical disability, contrary to applicable laws.

Restrictions on Using CEBA Funds

The funds from this loan may only be used by the Borrower to pay non-deferrable operating expenses of the Borrower including, without limitation,

- payroll,
- rent,
- utilities,
- insurance,
- property tax, and
- regularly scheduled debt service,

and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

Applying for the CEBA

Eligible businesses are required to contact their primary financial institution to apply for these loans. Effective June 19, 2020 there will be two CEBA application streams:

Payroll Stream: for businesses with total employment income paid to employees in 2019 greater than \$20,000 and less than \$1,500,000.

CEBA applications under the Payroll Stream are completed directly through the financial institution in which your business holds its primary business chequing / operating account.

Once you will have completed your application, the Government of Canada will assess the application and inform your financial institution of the approval or decline of the loan. If approved, your Financial Institution will provide the funds into your business chequing / operating account.

Financial institutions provide application information to the Government of Canada to confirm eligibility. If successful, the Government of Canada will notify your financial institution and provide funding for your CEBA loan.

Non-Deferrable Expenses Stream: for businesses with total employment income paid to employees in 2019 of \$20,000 or less and 2020 Eligible Non-Deferrable Expenses (subject to adjustments for support or subsidies under other Government of Canada COVID response programs) greater than \$40,000 and less than \$1,500,000.

CEBA applications under the 2020 Eligible Non-Deferrable Expenses Stream opened on June 19, 2020 and follow a two-step process:

Step 1: Businesses initiate applications directly at their primary financial institution where they hold their primary business chequing / operating account. The financial institution will then direct applicants to Step 2 of the application process.

Step 2: Following the initial application through their financial institution, applicants will be directed to a CEBA website to provide supporting documentation of the 2020 Eligible Non-Deferrable Expenses and to complete the application.

The Government of Canada will assess application information submitted via financial institutions in Step 1 together with the supporting documentation and information provided in Step 2. If successful, the Government of Canada will notify the financial institution and provide funding for the CEBA loan.

Supporting Documents for the Non-Deferrable Expenses Stream

Businesses need three main pieces of information to complete the application:

- The name of the financial institution where they submitted their application; and
- Their 9-digit business number (same number they used in their application with their financial institution); and
- Electronic or paper copies of Receipts / Invoices / Agreements to be uploaded as evidence of their 2020 Eligible Non-Deferrable Expenses.

Eligible Non-Deferrable Expense Categories

The Eligible Non-Deferrable Expense categories are the following:

- Wages and other employment expenses to independent (arm's length) third parties;
- Rent or lease payments for real estate used for business purposes;
- Rent or lease payments for capital equipment used for business purposes;
- Payments incurred for insurance related costs;
- Payments incurred for property taxes;
- Payments incurred for business purposes for telephone and utilities in the form of gas, oil, electricity, water and internet;
- Payments for regularly scheduled debt service;
- Payments incurred under agreements with independent contractors and fees required in order to maintain licenses, authorizations or permissions necessary to conduct business by the Borrower.

Adjustments to the amount of 2020 Eligible Non-Deferrable Expenses for other Government of Canada COVID Response Programs

Other Government of Canada COVID response programs will need to be considered in determining net Non-Deferrable Expenses and include the following:

- Canada Emergency Wage Subsidy,
- 10% Temporary Wage Subsidy,
- Canada Emergency Commercial Rent Assistance, Regional Relief and Recovery Fund,
- Futurpreneur Canada,
- Northern Business Relief Fund,
- Fish Harvester Grant,
- Relief measures for Indigenous businesses, and
- \$250 million COVID-19 IRAP (Industrial Research Assistance Program) Subsidy Program
- Canada Emergency Rent Subsidy

Applying through the Payroll Stream if you have more than one Canada Revenue Agency (CRA) Payroll Program Account

Applicants should add together all 2019 T4SUM statements and compare that total amount against the CEBA eligible payroll range, which is a payroll amount greater than \$20,000 and less than \$1,500,000.

For example, a business with the following two payroll numbers would have a total payroll amount of \$35,000, which is within the eligible range:

- Payroll number 1 (...RP0001)
 - 2019 T4SUM = \$15,000
- Payroll number 2 (...RP0002)
 - 2019 T4SUM = \$20,000
- **Total 2019 T4SUM = \$35,000**

If you run more than one Business

Each qualifying business must have a unique 9-digit Canada Revenue Agency (CRA) Business Number. Each qualifying business is limited to one CEBA loan.

Timing for Processing and Funding

Once a business has applied at their primary financial institution, uploaded all necessary supporting documents, and if pre-funding eligibility validation is successful, they should expect to receive funding within 10-15 business days.

The processing time starts when the application form and all required supporting documentation is received by the Government of Canada. The application and supporting documentation must be properly completed to start the pre-funding eligibility validation process.

Declined Applications

All declined applicants will be notified directly by their financial institution, along with a reason for the decline. An applicant may re-apply if there is a need to provide additional information or make a correction.

The pre-funding eligibility validation is based on the criteria established by the Government of Canada. No organization involved in administering the CEBA program has the authority to grant exceptions, including the financial institution.

Be Sure to Read Your Documents

Each lender has its own loan documents and attestations that an applicant will need to sign, or will have already signed. Businesses need to be familiar with the terms and conditions in those documents, as they supersede any of the information provided here.

One particular caution is that applying for the \$20,000 expansion could cause the terms for the entire loan to be updated, in some cases putting more restrictions on eligible uses of the funds than were contained in the original loan of up to \$40,000.

EDC BUSINESS CREDIT AVAILABILITY PROGRAM (BCAP) GUARANTEE

This program provides credit and cash flow terms loans to small and medium-sized enterprises, Canadian businesses in all sectors that were otherwise financially viable and revenue generating prior to the COVID-19 outbreak are eligible to apply.

The EDC BCAP Guarantee allows financial institutions to issue operating credit and cash flow term loans of up to \$6.25 million to existing clients, with 80% guaranteed by EDC. It is not available to:

- Government organizations or bodies or entities wholly owned by a government organization or body;
- Non-profit organizations, registered charities, unions, or a fraternal benefit societies or orders, or entities owned by such an organization, unless the entity is actively carrying on a business in Canada (including a related business in the case of a registered charity) that earns revenue from the regular supply of property/goods or services;

- Entities owned by any Federal Member of Parliament or Senator; and
- Entities that promote violence, incite hatred or discriminate on the basis of sex, gender identity or expression, sexual orientation, colour, race, ethnic or national origin, religion, age or mental or physical disability, contrary to applicable laws.

The money is to be used for operational expenses, not for dividend payouts, shareholder loans, bonuses, stock buyback, options issuance, increases to executive compensation or repayment/refinancing of other debt.

The EDC BCAP Guarantee program is available until June 2021 at various financial institutions and credit unions. Businesses should apply at their current provider.

BDC CO-LENDING PROGRAM FOR SMALL AND MEDIUM ENTERPRISES

The program provides term loans for operational and liquidity needs of businesses, including interest payments on existing debt. Similar to the EDC program, it is available to businesses that were financially viable and revenue-generating prior to COVID-19 outbreak.

The program provides support to three segments of business sizes:

- Loans of up to \$312,500 to business with revenues of less than \$1 million.
- Up to \$3.125 million for businesses with revenues between \$1 million and \$50 million.
- Up to \$6.25 million for businesses with revenues in excess of \$50 million.

These loans would be interest-only for the first 12 months, with a 10-year repayment period.

These applications should now be available at financial institutions. The deadline for applications has been extended to June 2021.

HIGHLY AFFECTED SECTORS CREDIT AVAILABILITY PROGRAM (HASCAP)

The HASCAP was initially announced in the 2020 Fall Economic Statement as a program that was directed at the hospitality and tourism sectors. When it was launched on January 26, 2021 it was made available to all businesses across Canada that have been hit hard by COVID-19. This includes restaurants, businesses in the tourism and hospitality sectors, and those that rely on in-person service.

Through HASCAP, the Business Development Bank of Canada (BDC) will work with participating Canadian financial institutions to offer government-guaranteed, low-interest loans from \$25,000 up to \$1 million. Hard-hit businesses, like a chain of hotels or restaurants with multiple locations under one related entity, could be eligible for up to \$6.25 million. Repayment terms can be up to 10 years, and there can be up to a 12-month postponement on principal repayments at the start of the loan.

HASCAP will help businesses with their day-to-day operating costs during the COVID-19 crisis. The loan must be used to continue or resume operations, and cannot be used to pay or refinance existing debt.

To be eligible for HASCAP, businesses need to have been financially stable and viable pre-COVID, and show a year-over-year revenue decline of at least 50% in at least three months (not necessarily consecutive), within the eight months prior to their application. They must also be able to show their financial institutions that they have previously applied for either the Canada Emergency Wage Subsidy or the Canada Emergency Rent Subsidy.

Eligible businesses can start applying as early as February 1, 2021 at principal financial institutions and more widely by February 15. Interested businesses should contact their primary lender to get more information and to apply.

More information is available at www.bdc.ca/hascap.