



COVID-19 Government Initiatives for Businesses  
Subsidies for Rent and Related Costs

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The Government of Canada and provincial governments have introduced a wide range of measures to help businesses deal with the economic fallout of the COVID-19 pandemic and necessary social distancing measures. This release focuses on the Canada Emergency Rent Subsidy (“CERS”) and has been updated to September 9, 2021 with historical information on its predecessor, the Canada Emergency Commercial Rent Assistance (“CECRA”) program.

Other business measures including wage subsidies, loan programs, tax payment deferrals, home office expense deductions 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 — Credit Availability Program](#)

[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](#)

### The Canada Emergency Rent Subsidy

On October 9, 2020, the Federal Government announced new rent relief measures for businesses facing financial hardship due to COVID-19. The new CERS replaces the CECRA program, and provides financial assistance in the form of subsidies for rent and mortgage interest to Canadian businesses, charities and non-profits suffering revenue decreases due to the pandemic. Under the currently enacted legislation the CERS will be available until October 23, 2021.

#### *What you need to know*

- The CERS provides financial support to qualifying tenants and property owners from September 27, 2020.
- CERS subsidizes a portion of eligible applicants’ expenses, up to a maximum of 65 per cent.
- For businesses forced to temporarily shut down by a mandatory public health order, an additional 25 per cent top up is available.

#### *What is the CERS?*

The CERS picked up where the CECRA program left off. It is designed to “provide direct and easy-to-access rent and mortgage interest support” for businesses, charities and non-profits impacted by the COVID-19 pandemic.

The CERS is composed of two components:

- A rent subsidy; and
- An additional top-up payment, referred to as the “Lockdown Support”, for qualifying organizations who are subject to a lockdown forcing them to temporarily close their doors or limit activities.

This could result in combined rent or mortgage interest supports of up to 90 per cent for hard-hit businesses.

The CERS is highly integrated with the Canada Emergency Wage Subsidy (“CEWS”) as discussed in more detail below.

### *Who is eligible?*

Unlike the CECRA, which was only accessible to property owners, CERS benefits are available to qualifying entities, including both qualifying landlords and tenants who have suffered revenue drops.

Qualifying entities include individuals, taxable corporations, charities and non-profits meeting certain eligibility requirements. To be an eligible entity, they must also have:

- had a payroll account as of March 15, 2020 or have been using a payroll service provider; **or**
- had a business number as of September 27, 2020 and satisfy the CRA that it is a *bona fide* rent subsidy claim; **or**
- purchased the business assets of another person or partnership who meets the first condition above, and made an election under the special asset acquisition rules. These special asset acquisition rules are the same for the Canada Emergency Wage Subsidy (CEWS); **or**
- met other conditions that may be prescribed in the future.

Public bodies are **not** eligible for this subsidy (this means municipalities and local governments, crown corporations, wholly owned municipal corporations, public universities, colleges, schools and hospitals will **not** be eligible).

### *What expenses qualify?*

A “qualifying rent expense” generally means, rent or mortgage interest expenses in respect of a qualifying property (generally, real estate in Canada used by the entity in the course of its ordinary activities), net of any amounts received or receivable by the qualifying entity from non-arm’s length parties.

For tenants, qualifying rent expenses for a particular qualifying property would include amounts up to \$75,000 for each qualifying period paid to arm’s-length entities under a written agreement (or renewal or assignment of a written agreement), e.g. a lease agreement, entered into before October 9, 2020, including:

- Gross rent;
- Percentage rent;
- Amounts paid under a net lease; and
- Certain amounts received by the landlord under the CECRA program that were applied during the “qualifying period” (as defined below), if those amounts would otherwise be required to be refunded to the tenant.

Excluded are:

- Sales taxes;
- Amounts paid *in lieu* of or in satisfaction of damages;
- Amounts paid under a guarantee, security, or similar indemnity or covenant;
- Payments arising due to default;
- Interest and penalties on unpaid amounts;
- Fees payable for discrete items or special services; and
- Reconciliation adjustment payments.

For commercial landlords, “eligible rent expenses” includes mortgage interest, insurance costs paid in respect of the qualifying property and property and similar taxes, including municipal and school taxes in respect of the qualifying property, up to \$75,000. There are specific limitations on the calculation of eligible mortgage interest; refinancing to obtain more cash at any time since the initial financing will trigger the limitation.

A commercial landlord can only claim CERS if their eligible property is not used primarily to earn rental income, unless that rental income is being earned directly or indirectly from another entity with which it does not deal at arm’s length. Tenants of landlords who are at arm’s length with that tenant will be claiming the CERS directly.

In a closely-held situation where an active business operates out of a building owned by a non-arm’s length entity CERS is available only to the landlord, based on its eligible rent expenses but using the revenue reduction percentage of the entity that carries on the active business.

To be absolutely clear; in spite of the name of the program, an eligible entity that operates a business in real property that it owns in Canada is entitled to apply for CERS.

The subsidy is subject to an overall cap of \$300,000 for affiliated entities for each qualifying period. There is not an overall entity revenue ceiling for eligibility. This means that entities of any size could apply, to the maximum of \$75,000 per location and the overall cap of \$300,000 for each qualifying period.

### *How is the subsidy calculated?*

#### *Base subsidy*

CERS benefits are intended to be flexible, and will be calculated in part as a function of the revenue drop experienced by the applicant in relation to a prior reference period, expressed as a percentage (the “revenue reduction percentage”). Revenues are to be calculated in the same manner as for CEWS, and affiliated group elections that have been made for CEWS will also apply for purposes of determining the revenue reduction percentage for CERS calculations.

Entities can calculate their revenue reduction percentage by the change in year-over-year monthly revenues for the calendar month for which they are applying. Beginning with Period 8 the comparison is to the same month 2 years prior. The entity can also choose to compare its current month revenues

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with an average of its January and February 2020 revenues. Once an election is made, the same calculation must be used for all periods. The election must be the same for CERS and CEWS.

Organizations that began operating between March 1, 2019 and the onset of the pandemic are allowed to use the alternative approach for CERS periods 7 through 10 (March 14 to July 3, 2021), even if they have previously selected the general approach. With that choice made, the entity can base its calculation on the revenue reduction percentage for the current qualifying period or for the previous qualifying period.

The subsidy is calculated retroactively for each qualifying period.

	Qualifying Period	General Approach	Alternative Approach
<b>Period 1</b>	September 27 to October 24, 2020	October 2020 over October 2019 <b>or</b> September 2020 over September 2019	October 2020 <b>or</b> September 2020 over average of January and February 2020
<b>Period 2</b>	October 25 to November 21, 2020	November 2020 over November 2019 <b>or</b> October 2020 over October 2019	November 2020 <b>or</b> October 2020 over average of January and February 2020
<b>Period 3</b>	November 22 to December 19, 2020	December 2020 over December 2019 <b>or</b> November 2020 over November 2019	December 2020 <b>or</b> November 2020 over average of January and February 2020
<b>Period 4</b>	December 20, 2020 to January 16, 2021	December 2020 over December 2019 <b>or</b> November 2020 over November 2019	December 2020 <b>or</b> November 2020 over average of January and February 2020
<b>Period 5</b>	January 17 to February 13, 2021	January 2021 over January 2020 <b>or</b> December 2020 over December 2019	January 2021 <b>or</b> December 2020 over average of January and February 2020
<b>Period 6</b>	February 14 to March 13, 2021	February 2021 over February 2020 <b>or</b> January 2021 over January 2020	February 2021 <b>or</b> January 2021 over average of January and February 2020
<b>Period 7</b>	March 14 to April 10, 2021	March 2021 over March 2019 <b>or</b> February 2021 over February 2020	March 2021 <b>or</b> February 2021 over average of January and February 2020
<b>Period 8</b>	April 10 to May 7, 2021	April 2021 over April 2019 <b>or</b> March 2021 over March 2019	April 2021 <b>or</b> March 2021 over average of January and February 2020
<b>Period 9</b>	May 8 to June 5, 2021	May 2021 over May 2019 <b>or</b> April 2021 over April 2019	May 2021 <b>or</b> April 2021 over average of January and February 2020
<b>Period 10</b>	June 6 to July 3, 2021	June 2021 over June 2019 <b>or</b> May 2021 over May 2019	June 2021 <b>or</b> May 2021 over average of January and February 2020
<b>Period 11</b>	July 4 to July 31, 2021	July 2021 over July 2019 <b>or</b> June 2021 over June 2019	July 2021 <b>or</b> June 2021 over average of January and February 2020
<b>Period 12</b>	August 1 to August 28, 2021	August 2021 over August 2019 <b>or</b> August 2021 over August 2019	August 2021 <b>or</b> July 2021 over average of January and February 2020
<b>Period 13</b>	August 29 to September 25, 2021	September 2021 over September 2019 <b>or</b> August 2021 over August 2019	September 2021 <b>or</b> August 2021 over average of January and February 2020
<b>Period 14</b>	September 26 to October 23, 2021	October 2021 over October 2019 <b>or</b> September 2021 over September 2019	October 2021 <b>or</b> September 2021 over average of January and February 2020

Applicants' rent subsidy percentage is determined with reference to the revenue reduction percentage, with the maximum rent subsidy of 65 per cent of eligible expenses available to applicants who have experienced a revenue reduction of 70 per cent or more. The subsidy is available but at lower rates if the revenue reduction is less than 70 per cent.

Based on the information that is currently available, a business that opened after February 2020 cannot qualify for CERS, as there would be no reference period to which they can compare.

### *Subsidy rate Periods 1 to 10*

Revenue Decline	Base Subsidy Rate
<b>70% and over</b>	65%
<b>50% to 70%</b>	40% plus 1.25% for each 1% of revenue reduction percentage in excess of 50%
<b>Less than 50%</b>	80% of the revenue reduction percentage

### *Subsidy rate Period 11*

Revenue Decline	Base Subsidy Rate
<b>70% and over</b>	60%
<b>50% to 70%</b>	35% plus 1.25% for each 1% of revenue reduction percentage in excess of 50%
<b>10% to 50%</b>	87.5% of the revenue reduction percentage in excess of 10%
<b>Less than 10%</b>	0

### *Subsidy rate Period 12 and 13*

Revenue Decline	Base Subsidy Rate
<b>70% and over</b>	40%
<b>50% to 70%</b>	25% plus 0.75% for each 1% of revenue reduction percentage in excess of 50%
<b>10% to 50%</b>	67.5% of the revenue reduction percentage in excess of 10%
<b>Less than 10%</b>	0

### *Subsidy rate Period 14*

Revenue Decline	Base Subsidy Rate
<b>70% and over</b>	20%
<b>50% to 70%</b>	10% plus 1.25% for each 1% of revenue reduction percentage in excess of 50%
<b>10% to 50%</b>	25% of the revenue reduction percentage in excess of 10%
<b>Less than 10%</b>	0

It is important to note that the \$75,000 per location, and \$300,000 overall, cap described in the previous section is only for the qualifying rent expenses for each qualifying period, not the subsidy amount that an entity can receive. The largest amount of the subsidy an entity can receive for each qualifying period (before the lockdown support described below) is 65 per cent of \$75,000 (equal to \$48,750) per location and 65 per cent of \$300,000 (equal to \$195,000) overall.

### *Lockdown Support*

In the event of a lockdown or other mandatory public health order by a Federal or Provincial authority forcing a qualifying organization to temporarily shut down or suspend or limit operations at (or in relation to) the particular property in respect of which the subsidy is claimed, for a minimum of one week due to COVID-19, an additional amount (the rent top-up percentage) of 25 per cent of eligible expenses is available. Lockdown Support payments will only apply in respect of the actual duration of the shut down, and not the entire qualifying period.

### *Applying for CERS*

The application process is very similar to the one that was already in place for the CEWS. You can make your application on the CRA website through My Business Account or your authorized representative (including an employee) can make it through Represent a Client.

Applications are now open. Claims must be filed within 180 days of the last day of the relevant claim period. Before you begin the application process, you should ensure that you have created a CERS (ZA) number, and that your Direct Deposit information at the CRA is up to date.

The first step is to gather all of the information you will need.

For each qualifying property, you will need the:

- amounts you owe or have paid for all eligible expenses
- property address
- name and contact information of your
  - o mortgage holder if you have a mortgage on the property
  - o landlord if you rent the property

Note that if you have not already paid the eligible expenses you will have to undertake to actually pay the amount you owe for the relevant period within 60 days of receiving your CERS payment for the period. This will be subject to review by the CRA.

If you have affiliated entities that have claimed, or will be claiming the CERS for the same claim period, you will need the:

- number of affiliated entities in the agreement
- percentage assigned to you under the agreement with your affiliated entities
- business number of each affiliated entity
- percentage assigned to each affiliated entity under the agreement

With this information at hand you can go to the CRA website [CERS page](#). It will guide you through using the calculator then link you to the portal where you can complete your application for the period.

Vine and Partners have staff who are familiar with the application process and can submit claims on your behalf with proper authorization.

### Canada Emergency Commercial Rent Assistance program

The CECRA was the original program intended to help commercial tenants.

- The first round of this program was available for the months of April, May and June
- Landlords were also able to elect to opt-in for July, August and September for tenants who were eligible based on April, May and June.
- The deadline for initial applications was September 30, 2020.
- The deadline to opt-in was October 30, 2020.
- Qualifying commercial tenants were those whose rent was less than \$50,000 per month, and who were “strongly affected” by the COVID-19 crisis
- The Ontario program specified that the business must be a non-essential small business that has temporarily closed, or that experienced a 70 per cent drop in pre-COVID-19 revenues (determined by comparing revenues in April, May and June to the same months in 2019 or alternatively compared to average revenues for January and February 2020)
- The program provided for loans to commercial landlords of qualifying tenants who:
  - o Reduced the tenant’s rent by at least 75% for the period
  - o Signed a rent forgiveness agreement that included a moratorium on eviction for the three months
- Commercial properties with a residential component, and residential mixed-use properties that have a 30 per cent commercial component, were equally eligible for support with respect to their commercial tenants only
- A portion of the loan to the landlord equal to 50% of the tenant’s original rent was forgivable.
- Property owners were required to use the funds from CECRA for small businesses to refund amounts in excess of 25% paid by the small business tenant for the period or at the option of the impacted tenant apply rent paid in excess of 25% to future rent owing by the impacted tenant

The overall structure of the CECRA was intended to arrive at the tenant paying 25% (or less) of the original rent, the government covering 50%, and the landlord “eating” the remaining 25% (or more). It was found to be cumbersome, with many landlords of eligible tenants declining to apply due to complexity and the requirement that they forego 25% or more of their rental revenue.