

CANADA EMERGENCY RENT SUBSIDY

Legislation passed on November 19, 2020, with proposed amendment released same day

STEP 1: IS ENTITY ELIGIBLE FOR CERS?

DID THE ENTITY HAVE EITHER ONE OF THREE:

CRA Payroll number on Mar 15 2020

Employee on Mar 15 2020, but used another entity's payroll number

CRA business number on Sep 27 2020, and provides records satisfactory to CRA

YES

Was the Entity's Revenue Reduction % of either current or prior Claim Period more than 0%?

YES

WAS THERE AT LEAST ONE QUALIFYING PROPERTY (QP)? A QP is a real or immovable property that meets all of the below:

Located in Canada

Rented or owned by the Entity

Used by the Entity in the course of its ordinary activities

Not a place of residence used by the Entity or a non-arm's length person (nor land subjacent or contiguous to such residence).

YES

ENTITY IS ENTITLED TO CERS FOR THE CLAIM PERIOD

The remaining steps calculate how much.

STEP 2: DETERMINE RENT SUBSIDY % FOR THE CLAIM PERIOD

PERIOD (CERS BEGINS ON P8)	RENT SUBSIDY % CALCULATION [MAX % REACHED WHEN REVENUE REDUCTION % ≥ 70%]	RENT SUBSIDY % CAN NEVER EXCEED
P8, P9, P10	If Revenue Reduction % of either current or prior Claim Period, whichever higher, is between 0% and 50%: 0.8 x the higher Revenue Reduction % If Revenue Reduction % of either current or prior Claim Period, whichever higher, is between 50% and 70%: 40% + [(the higher Revenue Reduction % - 50%) x 1.25]	65%
P11 & Subsequent	TBD	TBD

STEP 3: DETERMINE QUALIFYING RENT EXPENSE (QRE) FOR EACH "QP" FOR THE CLAIM PERIOD

Entity Rents the QP

Was Rent paid to an arm's length party?

YES

Was Rent paid under a written agreement entered into before Oct 9 2020, such lease as assigned, or pursuant to a renewal of such lease on substantially similar terms?

YES

"Rent" paid** in respect of Claim Period
-
Arm's length "Rent" received or receivable in respect of Claim Period

= QRE (Max \$75,000 per QP)

NO

No QRE for property, but owner entity may be eligible for CERS

NO

No QRE for property

Entity Owns the QP

Was the QP used primarily to earn rental income?

YES

Was the QP rented directly or indirectly to a non-arm's length person, who was not using it primarily to earn rental income?

Using it to earn rental

No QRE for property

Not using it to earn rental

Mortgage interest* + Insurance + Property or similar taxes, paid** in respect of the Claim Period.
-
Arm's length "Rent" received or receivable in respect of Claim Period

= QRE (Max \$75,000 per QP)

NO

* Mortgage interest computed on the lowest mortgage principal at any time since the QP was acquired, but not more than the cost of the QP.
**An amount payable is deemed to have been "paid" if payment is made within 60 days of issuance of CERS for the Claim Period.

STEP 4: WAS A QP SUBJECT TO "PUBLIC HEALTH RESTRICTION" (PHR)?

Has a federal or provincial order or decision been issued in respect of a QP?

YES

Was it made in response to Covid-19?

YES

Was it limited in scope based on factors such as geographic, type of activity or risk associated with a location?

YES

Would non-compliance result in an offence/penalty/sanctions by the federal or provincial government?

YES

Order/decision was not a result of a violation by the Entity of another order/decision described above.

NOT FROM A VIOLATION

Did the order/decision require some activities that would otherwise be engaged in by the Entity at, or in connection with, the QP to cease, based on the type of activity (and not just with respect to the extent an activity may be performed, or limits placed on time during it may be performed)?

YES

Was the restricted activities required to cease for at least one week?

YES

Did at least ~ 25% of the Entity's qualifying revenues for the Prior Reference Period that were earned from, or in connection with, the QP derived from the restricted activities?

YES

The QP is subject to PHR for the Claim Period

CLAIM PERIODS (P#) - P7 SHOWN BECAUSE P7 REVENUE REDUCTION % MAY BE USED FOR P8	CURRENT REFERENCE PERIOD	PRIOR REFERENCE PERIOD
P7	Aug 30 - Sept 26, 20	Sept 20
P8	Sept 27 - Oct 24, 20	Oct 20
P9	Oct 25 - Nov 21, 20	Nov 20
P10	Nov 22 - Dec 19, 20	Dec 20
P11 & Subsequent:	TBD	TBD

* Or average of Jan & Feb 20, if Entity makes election to use this alternative method consistently for P5 & subsequent (must be consistent with CEWS)

STEP 5: CALCULATE ENTITY'S CERS FOR THE CLAIM PERIOD - APPLICATION DEADLINE 180 DAYS AFTER CLAIM PERIOD

Basic CERS

Rent Subsidy % for Claim Period x (Sum of QRE for all QPs, up to an overall limit of \$300,000, or \$ limit assigned† to the Entity)

+

CERS Top-Up for Each QP subject to PHR during Claim Period (no overall maximum, but still limited to \$75K per QP)

25% x $\frac{\text{\# of days QP subject to PHR in Claim Period}}{\text{\# of days in Claim Period}}$ x QRE for the PHR

† Was Entity affiliated at any time in a Claim Period with another entity that is claiming CERS for the same period?

YES

Affiliated group must file with CRA an agreement on how a \$300,000 maximum QRE limit (per Claim Period) will be shared amongst group.

\$ limit as assigned to the Entity

Note: "affiliated" expanded to include two otherwise unaffiliated entities if they are affiliated with the same entity.

NO

Entire \$300,000 limit for Entity

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DEFINITIONS

Rent	Includes gross rent, rent based on % of sales or profit, or amounts paid under a net lease to the lessor or a third party as regular instalments of (i) customary operating expenses, (ii) property or similar taxes, (iii) regular instalments of other amounts payable to the lessor for services customarily ancillary to property rentals, and (iv) the lessor's CECRA payments applied against the Entity's rent payable. However, Rent excludes sales tax, payment for damages, amounts paid under guarantee/security/indemnity/covenant, payment arising due to default, interest/penalties on unpaid amounts, fees payable for discrete items or special services and reconciliation adjustment payments.
Revenue Reduction %	%” is the % decline in Qualifying Revenue when comparing Prior Reference Period vs Current Reference Period for a specific Claim Period.
Qualifying Revenue	Refer to s.125.7 for various qualifying revenue provisions. Generally, it is gross revenue from ordinary activities of the Entity determined under normal accounting practices of the Entity. Elections available to choose between cash vs accrual method, and various consolidation methods. On a business asset purchase, parties may elect to allow buyer to assume seller's qualifying revenue in some circumstances. Watch out for anti-abuse rules.