

CEBA now available to a greater number of small businesses

Effective June 26, 2020 the eligibility criteria for the [Canada Emergency Business Account \(CEBA\)](#) are expanded to allow for rapid disbursement of credit to a greater number of small businesses.

Initially, CEBA allowed for rapid access to a \$40,000 credit for businesses with 2019 payroll ranging between \$50,000 and \$1 million. Effective June 26, 2020, the government expanded the program's eligibility criteria, by expanding the payroll eligibility range to between \$20,000 and \$1.5 million.

The CEBA program

Launched on April 9, 2020, CEBA is a government-backed loan of \$40,000 to help small business owners meet cash flow constraints. That is, small businesses experiencing reduced revenues as a result of the COVID-19 crisis, while facing non-flexible operating expenses ranging between \$40,000 and \$1.5 million in 2020 such as rent, utilities, insurance, payroll, taxes, and the like.

The government-backed loan is interest-free until December 31, 2022. Principal repayments are voluntary, and can be made at any time without fees or penalties. The full balance of the loans must be repaid by December 31, 2025 at the latest.

However, the loan is partially forgivable in that the government will forgive \$10,000 of the loan, provided \$30,000 is repaid by December 31, 2022. Balances remaining by that date will be converted to a three-year loan at five per cent annual interest, effective January 1, 2023.

Expanded eligibility criteria

To be eligible for rapid credit under the government CEBA program, the applicant must:

- Be a Canadian business in operation as of March 1, 2020;
- Have a federal tax registration;
- Have had a total employment income paid in the 2019 calendar year that 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, the business must have:
 - A Canada Revenue Agency (CRA) business number and filed a 2018 or 2019 tax return.
 - Eligible non-deferrable expenses between \$40,000 and \$1,500,000.
- Have an active business operating account with its primary financial institution (the lender), that was opened on or before March 1, 2020 and was not in arrears on credits with the financial institution by 90 days or more as of March 1, 2020.

- Not have used the CEBA program previously and will not apply for CEBA support at any other financial institution.
- Acknowledge its intention to continue or resume its business operations.
- Agree to participate in post-funding government surveys.

Non-profit organizations are also eligible for support under CEBA provided they actively operate a business in Canada that earns revenue from the regular supply of property/goods or services. Non-profit organizations must have filed their Corporate Income Tax Returns for 2019. Registered charities need to have submitted their 2019 Registered Charity Information Return to be eligible for CEBA support.

Eligible non-deferrable expenses

The eligible non-deferrable expenses that count towards meeting the CEBA eligibility criteria are:

- Wages and other employment expenses to independent (arm's length) third parties;
- Business-related rent or lease payments for real estate or capital equipment;
- Insurance;
- Property taxes;
- Expenses for utilities (internet, telephone, gas, oil, electricity, and water);
- Scheduled debt service expenses;
- Independent contractors agreement payments;
- Fees to maintain licenses, authorizations or permissions necessary to business continuity.

Eligible non-deferrable expenses will be subject to government verification and audit.

Businesses that have applied for other COVID-related government funding, such as the Canada Emergency Wage Subsidy (CEWS), should account for any impact other government support might have on the expenses included in the total 2020 non-deferrable expenses for a CEBA application.



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