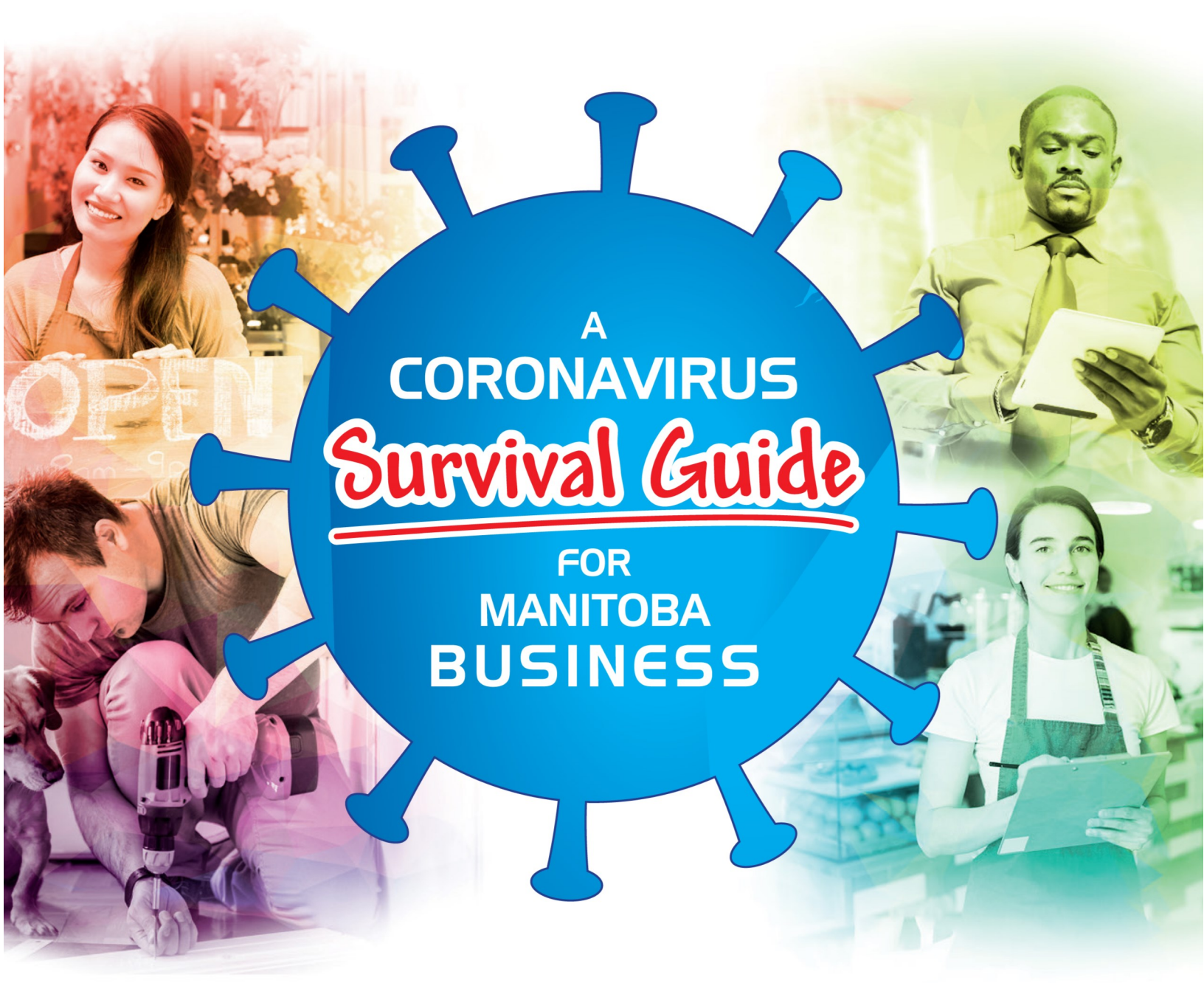


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## A CORONAVIRUS *Survival Guide* FOR MANITOBA BUSINESS

### CANADIAN EMERGENCY BUSINESS ACCOUNT (CEBA) REFERENCE GUIDE

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# CANADA EMERGENCY BUSINESS ACCOUNT

## REFERENCE GUIDE



**T**he new Canada Emergency Business Account (CEBA) was created to provide funds to small businesses that have lost income as a result of the COVID-19 pandemic. The program provides much needed credit for small businesses to pay for immediate operating costs such as payroll, rent, utilities, insurance, property tax, or debt service.

CEBA is a loan of up to \$60,000 with a forgivable portion of up to \$20,000 to help businesses pay their non-deferrable expenses during this challenging period.

These loans are funded by the Government of Canada, interest-free (if repaid before Dec 31, 2022) and provided through financial institutions in cooperation with Export Development Canada (EDC).

**How much your business can receive:** The **CEBA** program consists of 2 parts: an initial CEBA loan to a maximum of \$40,000, and an expansion loan of up to an additional \$20,000.

The loan(s) must be repaid before December 31, 2022 to be eligible for the forgivable portion(s).

- **CEBA:** a loan of up to \$60,000. If you repay the balance of the loan on or before December 31, 2022, it is interest-free and 33% will be forgivable (up to \$20,000).
- **CEBA EXPANSION:** Those who have received the initial CEBA loan of up to \$40,000 can apply for the CEBA expansion to increase their loan by up to an additional \$20,000 with an additional \$10,000 forgivable portion applicable to the CEBA expansion (if repaid before Dec 31, 2022) and after self-attesting to having experienced a revenue drop.

Each Financial Institution determines the form of their CEBA loan. For example, the loan may come to you on a credit card, a line of credit, or a term loan; this will be defined in the terms and conditions of your loan. Further questions or concerns about this should be directed to your financial institution.

### CEBA ELIGIBILITY CRITERIA:

In order to be eligible for a \$60,000 CEBA loan or \$20,000 CEBA expansion loan, an applicant must be an active operating business that is a sole proprietorship, partnership or a Canadian-controlled private corporation ("CCPC") that was in operation in Canada on March 1, 2020. Other types of business entities are not eligible for a \$60,000 CEBA loan or \$20,000 CEBA expansion loan.

To determine if your business is eligible for CEBA, you must first assess if your business meets all the basic eligibility requirements below. Then you will have to determine if your business is eligible for either (1) the Payroll Stream OR (2) the Non-Deferrable Expense Stream. You must meet all the basic CEBA eligibility requirements:

- You have an active CRA Business Number (BN) with an effective date of registration on or prior to March 1, 2020.
- You have an active business chequing/operating account with your financial institution. If you currently don't have a business chequing/operating account, you must create one at your financial institution before applying for CEBA.
- You have not previously used CEBA and will not apply for CEBA at any other financial institution (Not applicable on the CEBA expansion loan)
- You intend to continue to operate your business or to resume operations
- You are willing to participate in post-funding surveys conducted by government or any of its agents

**Payroll Stream Eligibility:** You must have a total employment income paid in the 2019 calendar year between \$20,000 and \$1.5 million (found on your T4 Summary).

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### CEBA ELIGIBILITY CRITERIA CON'T:

**Non-deferrable Expense Stream Eligibility:** You must have eligible non-deferrable expenses for the year of 2020 totalling between \$40,000 and \$1,500,000. Eligible non-deferrable expenses could include costs such as wages, rent, property taxes, utilities, business insurance-related costs, rent or lease for capital equipment, regularly scheduled debt service payments, and more.

Expenses will be subject to verification and audit by the Government of Canada.

You must have filed an income tax return with the CRA for the tax year ending in 2019, or if your tax return for 2019 has not yet been submitted, 2018.

NOTE: If your business did not have any returns to file with CRA in 2018 or 2019, you can still file your returns with zero or "nil" owed online in your [CRA My Business Account portal](#).

CEBA applications under the 2020 Eligible Non-Deferrable Expenses Stream will follow a three-step process:

**STEP 1:** Complete the online [Pre-Screen Tool](#). The Pre-Screen Tool is not a CEBA application and is solely intended to provide an indication of eligibility to inform your decision of whether to open a business account (if needed) and apply for CEBA at your financial institution. If you are declined at this step you can still apply for CEBA and therefore still need to complete the next two steps as identified.

**STEP 2:** Businesses will 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 3 of the application process.

**STEP 3:** Following the initial application through your 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 together with the supporting documentation and information provided in Step 3. If successful, the Government of Canada will notify your financial institution and provide funding for your CEBA loan.

### CEBA EXPANSION ELIGIBILITY REQUIREMENTS:

If you have received a CEBA loan, you will have to apply for the CEBA expansion at the same financial institution that funded your \$40k CEBA.

You will have to sign a self-attestation of having experienced a revenue drop due to COVID-19. This will look slightly different across all financial institutions.

### CEBA LOAN DETAILS:

The following terms apply to all CEBA loans (initial loan and expansion loan):

#### Interest:

- 0% per annum interest until December 31, 2022
- 5% per annum interest starting on January 1, 2023; interest payment frequency to be determined by your financial institution

#### Repayments & Maturity:

- No principal payment required before December 31st, 2022
- If a loan remains outstanding after December 31st, 2022, only interest payments required until full principal is due on December 31st, 2025

#### Debt Forgiveness:

- If the outstanding principal, other than the amount of potential debt forgiveness, is repaid by December 31, 2022, the remaining principal amount will be forgiven, provided that no default under the Loan has occurred



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### CEBA LOAN DETAILS CON'T:

#### Terms of Forgiveness:

- **If you borrowed \$40,000 or less:**
  - Repaying the outstanding balance of the loan (other than the amount available to be forgiven) on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).
- **If you borrowed more than \$40,000 and up to \$60,000:**
  - If you received a \$40,000 loan and subsequently received the \$20,000 expansion, the terms of your forgiveness have changed and are described here:
    - Repaying the outstanding balance of the loan (other than the amount available to be forgiven) on or before December 31, 2022 will result in a single tranche of loan forgiveness up to \$20,000 based on a blended rate:
      - 25 percent on the first \$40,000; plus
      - 50 percent on amounts above \$40,000 and up to \$60,000.

For clarity, the portion of forgiveness based on a rate of 25% and the portion of forgiveness based on a rate of 50% are combined into a single tranche of forgiveness, which is only available if all other amounts outstanding are repaid by December 31, 2022.

NOTE: Some financial institutions may record your \$40,000 loan and \$20,000 expansion as two separate loans. For the purposes of loan forgiveness, borrowings and repayments on both loans will be aggregated.

#### For example:

If \$60,000 is borrowed, no forgiveness is available unless \$40,000 is repaid.

If you fully repaid your original CEBA \$40,000 loan, claimed forgiveness, and thereafter received the CEBA \$20,000 expansion; repaying the outstanding balance of the \$20,000 expansion (other than the amount available to be forgiven) on or before December 31, 2022 will result in loan forgiveness of 50 percent (up to \$10,000).

### HOW TO APPLY FOR CEBA:

#### If you have not yet received a CEBA loan:

- Fill out the [pre-screen questionnaire](#)
- Find an Financial Institution that provides the CEBA loan if you do not already have a business relationship with an eligible bank
- Open a CRA Business Number (BN) (if necessary)
- Apply for either the Payroll stream or the Non-deferrable expense stream (Please see section CEBA Eligibility Requirements above)

#### If you already have a CEBA loan and are applying for the Expansion:

- Apply for the CEBA expansion at the Financial Institution that funded your CEBA. No additional documentation is required.
- Sign your agreement to the loan **and**
- An additional attestation will need to be submitted

For more information on the Canada Emergency Business Account program you can visit [BDC here](#) or the [Government of Canada here](#).

To use the Canada Emergency Business Account Eligibility Tool, [click here](#).

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### CRITICAL ADDITIONAL CEBA PROGRAM INFORMATION:

#### Things to remember after your CEBA are funded:

- Include the CEBA forgivable portion as income in the year that you receive the CEBA loan for tax purposes
- Repay your loan before Dec 31st, 2022 to get the forgivable portion

NOTE: The forgivable amount of the **Canada Emergency Business Account** loan received by an employer is considered **government assistance** and is included in the employer's **taxable income** the year the loan is repaid.

The information on this reference guide and on the Manitoba Business Matters website is based on rapidly-developing relief programs and legislative changes and is produced by Manitoba Business Matters as an information service to Manitoba businesses.

It is not intended to substitute professional advice.

These summaries will be updated as support programs and legislation continues to evolve.

For the most comprehensive and current information, please review the Government of Canada's COVID-19 Economic Response Plan [click here](#).



### STAY INFORMED!

As updates related to this program and more is released we will be sending out bulletins and helpful guidance for your business.

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