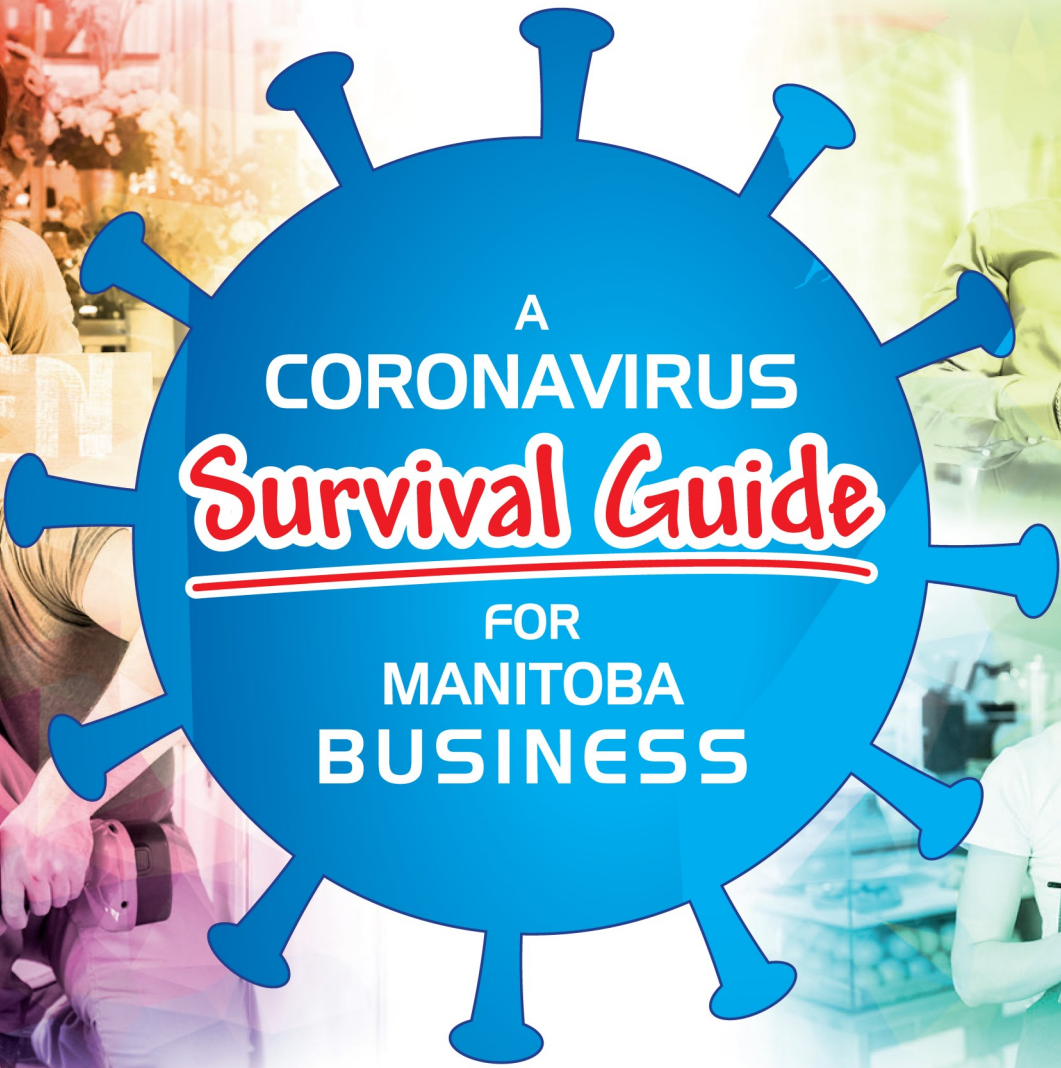


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## A CORONAVIRUS *Survival Guide* FOR MANITOBA BUSINESS

### CANADA EMERGENCY RENT SUBSIDY (CERS) REFERENCE GUIDE

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# CANADA EMERGENCY RENT SUBSIDY


## REFERENCE GUIDE



The Canada Emergency Rent Subsidy (CERS) provides financial assistance for eligible fixed property expenses, including rent, and interest on commercial mortgages until June 2021. The CERS program replaces the previous Canada Emergency Commercial Rent Assistance (CERCA) that expired on September 26, 2020, but unlike the CERCA program the assistance is paid directly to the retailer and is proportional to revenue reduction.

In this reference guide, we will provide comprehensive detail on key elements of the program including:

- How the Program is Administered
- Eligibility Criteria
- Calculating Your Lost Revenue
- Employee Eligibility & Employee Remuneration Criteria
- Calculating for Subsidy and more!

 NOTE: Budget 2021 proposes to extend the CERS program through the summer, ending 25 September 2021. However, starting with Period 18 on 4 July 2021, the subsidy rates will be reduced and phased out. The 25% lockdown support top-up subsidy, however, will remain for the balance of the program. Further, while any revenue decline qualifies a qualifying renter for the CERS under the current program, starting with Period 18\*\*, qualifying renters whose revenue decline is 10% or less will no longer qualify for the program. [Please click here to view the proposed CERS Program changes.](#)

\*\* Period 17 of the Canada Emergency Wage Subsidy would be the 10th period of the Canada Emergency Rent Subsidy. Period identifiers have been aligned for ease of reference by the Government of Canada and have been updated in the guide detailing the program changes.

### HOW THE PROGRAM IS ADMINISTERED:

CERS is administered by the CRA on a period-by-period basis. Each CERS Claim Period is four weeks, and businesses can generally submit a claim the day after the period has ended. Here is a current schedule of CERS Claim Periods:

CERS CLAIM PERIODS								
Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9
Sept 27 - Oct 24	Oct 25 - Nov 21	Nov 22 - Dec 19	Dec 20 - Jan 17	Jan 18 - Feb 13	Feb 14 - Mar 13	March 14 - Apr 10	Apr 11 - May 8	May 9 - Jun 5

### CERS ELIGIBILITY CRITERIA:

To qualify for CERS, you must meet the following 4 conditions:

**1. One** of the following:

- You have a CRA business number on September 27, 2020; OR
- You have a payroll account on March 15, 2020 or are using a payroll service provider, and have a CRA business number; OR
- You've purchased business assets of another person or partnership and qualify under the same special asset acquisition rules as CEWS.

**2. You are an eligible business, not-for-profit, or charity:**

- Individual
- Taxable corporation or trust
- Registered charity
- Partnership of eligible employers
- Not-for-profit organization
- A [Prescribed organization](#)

**3. You experienced a drop in revenue** during the claim period compared to a previous period (no minimum).

### CERS ELIGIBILITY CRITERIA CON'T:

4. The **properties that you are applying for qualifies** under the CERS program rules. Properties that do qualify include any "real or immovable property" (buildings or land) in Canada that your business or organization:
- owns or rents, and
  - uses in the course of your ordinary activities

#### **Properties that do not qualify, include:**

- Your home, cottage, or other residence used by you, your family members, or other non-arm's length persons;
- Any properties you own that are primarily used to earn rental income from arm's-length parties; or
- Any properties that are primarily used to earn rental income directly or indirectly from a non-arm's length party, that are primarily used by that party to earn rental income

**What do 'Arm's-length' and 'Non-arm's length' mean?** CERS Applicants will have to determine whether the relationship between the property owner and tenant/subtenant is at arm's length or non-arm's length because it will affect eligibility.

**Non-arm's length** relationships can be more simply viewed as family, significant others, partnerships, or businesses where one partner has controlling interest/voting shares.

**Arm's-length** relationships can be viewed as any other individuals or corporations that are treated without preference, and with no blood, trust or controlling relationship.

Unsure if your relationship is arm's-length or non- arm's length? Check [CRA's website](#).

#### **Non-eligible businesses include those who:**

- Do not have revenues before March 1, 2020
- Have residential properties such as your home, cottage used by you, your family or other non-arm's length persons
- Have properties you own that are primarily used to earn rental income from arm's-length parties

### CALCULATING YOUR LOST REVENUE:

Revenues for the CERS are calculated in the same way they are for the CEWS. To calculate your revenue drop, you can choose one of the following baseline revenue options:

**General Approach:** Compare your business eligible revenue for the claim period month in 2020/2021 you are applying for with your eligible business revenue for the same month in the previous year; **OR**

**Alternative Approach:** Compare your business eligible revenue for the claim period month in 2020/2021 you are applying for with your average eligible business revenue for the months of January and February 2020

#### **Example:**

**PERIOD 6:** February 14, 2021 to March 13, 2021

**General Approach:** Feb 2021 over Feb 2020 **or** Jan 2021 over Jan 2020

**Alternative Approach:** Feb 2021 **or** Jan 2021 over an average of Jan and Feb 2020



# CANADA EMERGENCY WAGE SUBSIDY

## REFERENCE GUIDE



### CERS QUALIFYING EXPENSES:

The CERS covers a portion of eligible expenses in respect of a claim period for each qualifying property, subject to certain maximums. The CERS is calculated on a property by property basis.

For each claim period, you can claim eligible expenses up to a maximum of:

- \$75,000 per business location (base and top-up)
- \$300,000 in total for all locations (including any amounts claimed by affiliated entities)
  - applies to the base subsidy only
  - there is no maximum for the top-up subsidy

#### Renters can claim the following eligible expenses:

- Rent
- Regular payments for operating expenses such as insurance, utilities, common area maintenance, etc.
- Property and similar taxes
- Regular payments to the lessor for customary ancillary services (i.e. parking fees, storage, snow removal, cleaning fees.)

Expenses that **do not qualify** to be claimed include sales tax, damages, leasehold improvements, interest or penalties, content or liability insurance or other special fees.

Where the location is **owned by an eligible entity** (as a landlord or business owner holding a mortgage and operating from the eligible property, eligible expenses will include the following expenses:

- Property and similar taxes including
  - School taxes, and
  - Municipal taxes, if these are part of your property tax assessment
- Property insurance
- Interest on commercial mortgages for the purpose of purchasing real property
- Storage to rent arm's-length parties

Expenses that **do not qualify** to be claimed include content or liability insurance and payments between non-arm's length and related entities\*

\*NOTE: **For renters and property owners:** Only amounts paid or payable to an arm's-length party are considered eligible expenses.

**For property owners:** If you earned any revenue from sub-leasing space to arm's-length parties, you must subtract that revenue from your eligible expenses.

Expenses must fall within the claim period you are applying for.

NOTE: The CERS calculator prorates eligible expenses to 28 days.

Eligible rent expenses are limited to those under agreements entered into before October 9, 2020 and must be in writing.

All expenses must be paid within the claim period to be eligible. Payments between non-arm's-length entities are ineligible.

For more information on CERS qualifying expenses please [click here](#).

# CANADA EMERGENCY WAGE SUBSIDY REFERENCE GUIDE



## CERS LOCKDOWN TOP-UP SUBSIDY ELIGIBILITY:

A 25% **Top-Up Subsidy** (to a maximum possible subsidy of 90%) is available for businesses that must temporarily close or significantly restrict operations for one week or longer due to a mandatory public health order issued by a qualifying public health authority.

If a location must temporarily close or sees certain activities cease for part of a qualifying period, the subsidy will be prorated in that period for the number of affected days.

The public health order must require you stop or restrict business activities. Restricted activities must account for at least 25% of total revenues at the relevant location during the prior reference period.

### Restrictions that do not qualify your business for the Top-Up:

- Requiring masks for staff and/or customers
- Restricted or reduced hours of operation (i.e. bars and pubs required to close before midnight)
- Seating capacity limits or physical distancing requirements

## CALCULATING YOUR CANADA EMERGENCY RENT SUBSIDY:

There are two parts to the subsidy: the base amount and the lockdown support amount.

**Base Amount:** The base amount applies to a maximum of \$75,000 per location, with a total maximum of \$300,000 for all affiliated entities per claim period.

Similar to CEWS, to calculate your revenue drop, you may compare revenue year-over-year using the corresponding month in the previous year, or the alternative method of comparing revenue to your revenue in January and February 2020.

Your Revenue Drop	Subsidy Rate
Revenue drop of 1-49%	0.8 x revenue drop %
Revenue drop of 50-70%	$((\text{Revenue drop \%} - 50\%) \times 1.25) + 40\%$
Revenue drop of 70% or more	65%

**Lockdown Support Top-Up:** The lockdown support top-up is available should your business be ordered to close or cease certain activities by a public health order. If your business is affected by at least one week, you may receive additional support of up to 25% of eligible expenses. This applies for each location that is impacted.

### The Lockdown Top-Up is calculated as:

**TOP-UP = 25% (fixed rate) x # days location was closed / 28 days in the CERS Period**

Note: The Lockdown Top-Up Subsidy can be prorated, for example if your business was closed for 14 days, your top-up would be  $25\% \times 14/28 = 12.5\%$

The CRA has developed a **CALCULATOR** to determine your subsidy amount.

**To prepare**, ensure that you have access to your [MyBA](#) or [Represent a Client](#) portals and that the people who deal with this information (those applying on your business' behalf) have the [proper authorities](#).

# CANADA EMERGENCY WAGE SUBSIDY REFERENCE GUIDE



## SUBMITTING YOUR CANADA EMERGENCY RENT SUBSIDY APPLICATION:

**Before you start** your application, you should have your:

- Monthly qualifying revenue amounts from 2019 and 2020
- The eligible expenses broken down by business location
- The property address
- The name and contact information for your:
  - Mortgage holder (for property owners) or
  - Landlord (for renters)
- Affiliated entities also require the following:
  - 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

The only way to apply for the CERS is through [MyBA](#) or [Represent a client](#). There is no paper version or any other non-electronic method to apply for the CERS.

To use the Canada Emergency Rent Subsidy [Calculator](#) please click [here](#).

For more information on the Canada Emergency Rent Subsidy Program please click [here](#).

## CRITICAL ADDITIONAL CERS PROGRAM INFORMATION:

For a **STEP BY STEP GUIDE** on How to Apply for CERS please [click here](#).

NOTE - the **CANADA EMERGENCY RENT SUBSIDY** received by an employer is **considered GOVERNMENT ASSISTANCE** and is included in the employer's **taxable income**. It is, however, specifically excluded from the definition of revenue for the purpose of the revenue reduction calculation.

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.

Subscribe to our newsletters to get reliable, up to the minute information right to your inbox.