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# GUIDE FOR COVID-19 RELIEF FOR PCNs AND CLINICS

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MEDICAL  
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Currently, there have been no economic relief measures announced which are specific to Primary Care Networks (PCNs) or medical clinics. However, the government has announced several measures which may nonetheless be available to those entities. This guide provides an overview of the recently announced measures available which may be of assistance. Note, however, that the information provided by the government is changing and being added to almost daily. This guide only aims to provide information up to April 13, 2020. However, we will be providing updated information on our firm's dedicated COVID-19 page on our [website](#).

### **General Recommendation: Maintain Detailed Records**

Before addressing the specific measures announced by the government over the last several weeks, we emphasize that it is critically important for everyone to maintain records of any expenditures, revenue, payroll amounts paid, and losses during these times. We also recommend keeping documents that support whether amounts received or paid were arm's length in nature or, if not arm's length, that such amounts were reasonable. These records will form the supporting documentation needed to claim the benefits, wage subsidies, and any capital or non-capital losses (for tax purposes). *As it is not clear what documentation will be required, we recommend keeping all documentation, including any notes from meetings where financial decisions were being made.*

Note that in order to be able to claim a capital or business investment loss on an unpaid loan in the future, you need to be able to demonstrate that the loan was for the purpose of earning income. While normally shareholders can meet this test automatically, because they can earn dividends from the business, non-shareholders should be paid interest in order to be able to claim a loss in the event the loan cannot be repaid.

### **Wage Subsidies**

#### **Canada Emergency Wage Subsidy ("CEWS")**

This is the most significant assistance measure for businesses announced by the federal government. The legislation for the CEWS was passed by Parliament on Saturday, April 11, 2020.

The application of the legislation, especially in conjunction to the rest of the *Income Tax Act*, can get quite complicated in some situations. While many employers will know immediately whether they qualify for the CEWS or not, how it applies to specific corporate organizations and employee circumstances may vary. It is impossible to address every specific situation in this Guide.

We therefore recommend contacting us or another tax advisor if you are uncertain about how the CEWS may apply to you.



## How much is the CEWS?

The Canada Emergency Wage Subsidy (“CEWS”) will pay qualifying employers the greater of:

1. 75% of **an arm’s length employee’s** “eligible remuneration” up to a weekly maximum of \$847 per employee, or
2. whichever is less, 75% of **any employee’s** (including non-arm’s length employees) “baseline remuneration” or 100% of eligible remuneration up to a weekly maximum of \$847 per employee.

The CEWS will be reduced by reductions to remittances pursuant to the Temporary Wage Subsidy (see below) and certain Employment Insurance payments, including the work-sharing benefit.

The \$847 weekly maximum is based on a maximum pensionable earnings for CPP purposes of \$58,700, divided by 52 weeks, then multiplied by 75%.

“Eligible remuneration” is the employment remuneration subject to payroll source deductions paid to the employee. It excludes dividends and retiring allowances.

“Baseline remuneration” is the average of weekly remuneration paid between January 1 to March 15, 2020. Any 7-day period where no remuneration was paid will be excluded from the average. This ensures that those who took a week off or were hired later in the averaging period will not have those unpaid weeks counted into the average.

The two different tests mean that **arm’s length** employees can be hired or be given increased remuneration provided **their employer pays the final 25% of their remuneration**. However, any employees hired before March 15, 2020, including **non-arm’s length employees** can be paid 75% of their baseline remuneration, meaning employers would not need to necessarily pay that final 25%.

*Previous communications have stated Employers will need to attest that they are doing “everything they can” to pay the remaining 25% of the baseline remuneration, but there is no requirement that this final 25% be paid for an employer to receive the CEWS.*

There is no limit to how many employees for which an employer can claim the CEWS.

Eligible employees are individuals employed in Canada by the eligible entity in the qualifying period, other than an individual who is without remuneration by the eligible entity in respect of 14 or more consecutive days in the qualifying period.

When multiple non-arm’s length employers employ a single employee the aggregate amount of subsidy claimed by all the non-arm’s length employers may not exceed the total a single employer would have been able to claim if they had paid all the remuneration.

## Who will qualify for the CEWS?

Eligible employers include individuals, taxable corporations, partnerships, not-for-profit organizations (most PCNs are corporations operated as not-for-profits), and registered charities. Public institutions, including hospitals, public health authorities and public universities and colleges will not be eligible for the subsidy. PCNs and clinics are not excluded.

Employers must have an existing business number and payroll program account with the CRA on March 15, 2020.

## The drop in revenue test

In order to qualify for the CEWS for a specific period, an eligible employer in general must show its revenue has dropped below:

- a) 85% of March 2019 revenue in March 2020 to be eligible for CEWS for the period between March 15, 2020 and April 11, 2020
- b) 70% of April 2019 revenue in April 2020 to be eligible for CEWS for the period between April 12, 2020 and May 19, 2020
- c) 70% of May 2019 revenue in May 2020 to be eligible for CEWS for the period between May 10, 2020 and June 6, 2020

The government has also left it open in the legislation to extend the CEWS into periods up to September 30, 2020.

If an employer was not in business on March 1, 2019 or elects for all the periods, the average revenue in January and February 2020 may instead be used as a comparison instead of the 2019 months' revenues.

To calculate revenue, employers can use their normal accounting method (which in most cases will be the accrual account method) or may elect to calculate revenue using the cash accounting method. Whichever method is selected will need to be applied to all eligible CEWS periods and all comparison periods. For example, if you use the cash accounting method to determine revenue for March 2020 and are comparing it to revenue from March 2019, revenue for March 2019's and all the other reference periods will also need to be calculated using the cash accounting method. Since in many cases the accrual method is the normal accounting method, this may mean the comparison periods' revenue will need to be recalculated using the cash accounting method.

*As a quick explanation, accrual accounting would treat an issued invoice as revenue upon it being issued (and work performed) whereas cash accounting would only consider an invoice as revenue once cash has been received to pay for it. This means if a drop in revenue is going to affect billings but all your billings will be paid in a timely manner, the accrual method will likely be better. On the other hand, if invoices are not being paid in a timely manner, or at all, the cash method will likely be the more appropriate method of calculating revenue.*

Extraordinary items and non-arm's lengths revenues are excluded from the calculations of revenue.

Not-for-profits and charities may choose to exclude revenues from government sources from their revenue calculation for all reference periods.

The legislation also allows amended revenue calculations in the following special circumstances:

- A group of eligible entities which normally prepares consolidated financial statements to determine their qualifying revenues separately, provided every member of the group determines its qualifying revenue on that basis;
- An affiliated group of eligible entities to jointly elect to determine the qualifying revenue of the group on a consolidated basis;
- If all of the interests in an eligible entity are owned by participants in a joint venture and at least 90% of the qualifying revenue of the eligible entity for a qualifying period is in respect of the joint venture, then the eligible entity may use the qualifying revenues of the joint venture (determined as if the joint venture were an eligible entity) instead of its qualifying revenues as the referenced revenues; and
- Where 90% of an entity's revenue comes from non-arm's length persons or partnerships, the non-arm's length persons or partnerships revenue may be considered in determining whether there was the necessary drop of revenue provided all the non-arm's length persons or partnerships agree.



Note the above special circumstances may not cover all corporate structures. For example, if doctors are using a cost sharing structure where a management corporation is paying employees' wages but the doctors are only paying an amount equal to expenses to the management corporation, it may be difficult to show the necessary drop in the management corporations revenue in order to qualify for CEWS even if the doctors have had the necessary drop in revenue. The above special circumstances would not apply unless the doctors are affiliated (spouses and controlled entities), non-arm's length (a question of fact, but usually control and blood relations) or in a joint venture.

Depending on the circumstances, a group may be able to argue they are non-arm's length from the management corporation, are in a joint venture, or, in theory, the doctors could decide to reduce their payments to the management corporation so the management corporation could then qualify for the subsidy.

However, the specific facts, the relevant corporate law and the anti-avoidance provisions in the legislation should carefully be considered prior to implementing such a plan. Unless the CRA provides formal approval that the CEWS is available in some of these less clear-cut situations, there is a risk an entity claiming the CEWS may not qualify and could potentially even be subject to penalties.

Finally, an eligible employer that qualifies for the CEWS for one qualifying period will automatically be deemed to qualify for the next qualifying period. This change eliminates the retrospective uncertainty of the subsidy.

## How do employers get the CEWS?

Employers may apply for the subsidy before October 31, 2020.

Employers will need to apply for each period with applications anticipated to be through My Business Account or through a web-based portal. It is anticipated that applications will open in two weeks (late April). More details regarding the application process will be announced by the government shortly. Employers will need to keep records supporting their revenue calculations and remuneration paid to employees.

The CEWS is paid by the CRA treating the amount of the CEWS as an overpayment of income taxes. The CRA may refund that “overpayment”, but no interest will apply. Note, however, that if an employer currently has outstanding amount payable to the CRA, the CRA could potentially use the CEWS to pay off that liability. This should not apply to deferred amounts but could apply to other amounts owed to the CRA.

Funds should be paid by direct deposit in three business days if the employer applied through the My Business Account and is set up for direct deposits from the CRA. Otherwise, the payments will be by cheque.

## Other Important Considerations of the CEWS

- The CEWS is included in taxable income but will be offset by the associated deductible employment expenses.
- Employers that engage in “artificial transactions” to reduce revenue for the purpose of claiming the CEWS may be subject to a penalty equal to 25% of the value of the subsidy claimed, in addition to the requirement to repay in full the subsidy that was improperly claimed.
- Employers will also be able to apply for a 100% refund on the employer-portion of CPP and EI remittances for any furloughed employees (i.e. employees receiving their remuneration but not working) in periods where the CEWS may be claimed. Employers will still need to collect and remit the CPP and EI amounts but then can apply for a refund for the employer-portion when they apply for CEWS each period.
- The government is allowed to publish the name of anyone who applies for the CEWS.
- We will maintain updated information [here](#).



## Temporary Wage Subsidy (“TWS”)

The “TWS” provides for a 10% wage subsidy for eligible employers for a three-month period (March 18 to June 19, 2020), up to a maximum of \$1,375 per employee with an aggregate maximum of \$25,000 per eligible employer. Any benefit received from the TWS will reduce the CEWS. Employers who do not qualify for the CEWS can apply for this 10% TWS instead or, if they qualify for both, may apply for the TWS while waiting for the CEWS to come into effect.

Eligible employers for the 10% wage subsidy are:

- Individuals (other than trusts);
- Non-profit organizations;
- Registered charities;
- Canadian-controlled private corporations eligible to claim any small business deduction; and
- Partnerships, if the members of the partnership are comprised of persons described above.

They must have an existing business number and payroll program account with the CRA on March 18, 2020 and must pay salary, wages, bonuses, or other remuneration to an eligible employee.

This 10% wage subsidy is “paid” to employers by employers decreasing the amount they remit in income tax withholdings. This program relies on the employer to document the amount of remuneration paid per employee (which determines what income tax amount should be withheld) and then use these facts to calculate what the deduction to their remittances should be based on the TWS amount.



For example, if you have 3 employees and their total payroll (their remuneration) for the three-month period is \$120,000 (\$40,000 per month). The TWS maximum would be the lesser of \$12,000 (10% x \$120,000), \$4,125 (\$1,375 x 3 employees), and \$25,000. The TWS maximum is therefore \$4,125. To claim this you can reduce your income tax remittance by up to \$4,000 (10% x \$40,000) in the first month but then you would only be able to reduce the remittance by \$125 in the second month and nothing in the third month (because your total limit for the three months is \$4,125).

If your TWS exceeds the income tax remittance for that period (note EI and CPP remittances may not be reduced), then the excess can be carried over to periods after June 19, 2020.

Any benefit received from the TWS or Work-share EI will result in a reduction in any benefits received under the CEWS. However, given that the TWS and Work-share program are already in effect, it may be worthwhile to apply both of these programs for cash-flow purposes now and, once the CEWS application comes live, then apply for a reduced CEWS.

Specific information on the TWS can be found [here](#) and we will maintain updated information [here](#).

## Canada Summer Jobs Subsidy

The Canada Summer Jobs subsidy has now been expanded to cover 100% of wages (up to the provincial minimum wage) for hired young people aged between 15 and 30 years. Eligible employers are non-for-profits, public sector organizations, and private sector organizations with 50 or fewer full-time employees. It is only intended for summer work. The application deadline will be extended to February 28, 2021. For more information, see [here](#). (See [here](#) for the government's press release.)



## Canada Emergency Response Benefit (“CERB”)

This benefit is available to any person who has lost their income as a result of COVID-19, including workers, self-employed and caregivers. It is expected that a self-employed physician who may be experiencing lost income, may also apply for this benefit.

The CERB provides \$2,000 per month payment for four months, available from March 15, 2020 to October 3, 2020.

Applications opened on April 6, 2020 through the CRA My Account and/or My Business Account.

Payments are made by direct deposit within three business days, if the recipient is set up for direct deposit and has applied through My Account, or by cheque in ten to fourteen business days.

Note, if you register for a My Account, the CRA will send you a security code by mail to give you full access to the My Account. However, you do not need full access to My Account to apply for the Canada Emergency Response Benefit. You may apply immediately after registering.

If the employee is receiving any income (including those with a wage subsidy), they cannot collect the CERB at this time. However, the government has suggested that there may be future announcements dealing with circumstances where someone is still earning some income but much less than before and less than the \$2,000 per month offered by the CERB. We will update our website if there are further announcements on this.



**Visit our COVID-19 Resource Centre  
for the latest information and alerts:  
[mross.com/law/COVID-19](https://mross.com/law/COVID-19)  
Email: [covid19@mross.com](mailto:covid19@mross.com)**

### **Access to Credit and Credit Deferral**

The Federal government has allocated funding to ensure that organizations will be able to access credit.

**1. Bank of Canada:** The Bank of Canada has decreased its overnight interest rate to 0.25% (as of March 27, 2020). This will impact rates for new loans and all variable-rate loans. See current rates [here](#).

**2. Canada Emergency Business Account:** An interest-free loan of up to \$40,000 to small businesses and not-for-profits. If the loan is repaid by December 31, 2022, then 25% of the loan will be forgiven (up to \$10,000). Information to date from financial institutions has suggested that the loan will be interest bearing starting January 1, 2023.

- To be eligible, the organization must demonstrate that it paid \$20,000 to \$1,500,000 in total payroll amounts in 2019.
- As of April 9, 2020, some major financial institutions have activated their application portals. Some have not. Contact your financial institution directly to apply for this loan.
- We will maintain updated information [here](#).

**3. Loan Deferrals and Increased Credit:** Major financial institutions have committed to working with small businesses, which may include clinics, on a case-by-case basis to offer 6-month deferrals on loans, waive credit card minimum payments, and increase operating lines of credit limits. Contact your financial institution directly to seek deferrals and access to increased credit.

Note that interest will continue to accrue on loans, even if payments are deferred. We will maintain updated information [here](#).

**4. Loan Guarantees:** Export Development Canada (EDC) will be guaranteeing qualifying new loans with financial institutions for small and medium enterprises, which may include clinics. The program will roll out in mid-April. Contact your financial institution directly to determine if further credit is available. We will maintain updated information [here](#).

**6. Co-lending Term Loans:** The BDC will be working with financial institutions to co-lend on term loans for small and medium enterprises, which may include clinics. The program will roll out in mid-April. Contact your financial institution directly to determine if further credit is available. We will maintain updated information [here](#).

## Business Contracts

**1. Lease:** There may be relief coming for commercial leases (as announced on April 16, 2020). We will publish further updates under the Corporate & Tax Publications section on our COVID page [here](#). (For residential lease relief, see [here](#)). Therefore, tenants should consult with landlords and request relief. Note that “relief” does not necessarily mean forgiveness—more likely it will amount to a temporary deferral, and interest on deferred payments may apply. If relief is granted, details should be documented, such as length of time that the relief has been granted. Alternatively, if relief is not provided, the lease should be reviewed carefully and consider whether relief can be found in the contractual terms or legal principles (e.g. force majeure, material adverse change, frustration). For more information, please contact us.

**2. Utility Deferral:** Small businesses can defer electricity and natural gas bill payments for 90 days, regardless of the service provider. Utility providers should be contacted directly to arrange for a 90-day deferral on all payments.

**3. Business Interruption Insurance or Other Insurance Coverage for Losses:** Business interruption insurance will not likely cover business losses resulting from COVID-19.

Most business interruption policies only apply when there’s been physical loss or damage to the premise or business property. Specialty coverage for disruption of business due to pandemic is rare but exists. It is typically expensive and limited in scope. Nevertheless, if you are unsure, review your policy and contact your insurance broker.

## Tax Deferrals (and what is not deferred)

**1. Income Tax Payments:** Individuals and businesses can defer any income tax payments owing between March 18, 2020 and September 2020. These owed amounts are deferred until August 31, 2020.

**2. Income Tax Filing Deadlines:** Most income tax returns and information returns filing deadlines have been extended. See all deadlines [here](#).

**3. GST/HST:** Remittances are deferred to June 30, 2020. There has not been an explicit extension on filing deadlines, however, there is no late-filing penalty if no amount is to be remitted at the time so there should be no consequences of late filing GST returns until June 30, 2020.

**4. CPP and EI and income tax payroll remittances:** Remittances must continue to be made on time. Note, there is nothing in the legislation to suggest that remuneration paid to employees using the CEWS are not subject to withholding taxes which would then need to be remitted. The only reduction in payroll remittances is therefore pursuant to the TWS which deems the amount of the TWS to have been paid.

**5. Audits:** Audit activity have been suspended, including new and ongoing audits.



## Employer: Options to Consider

**1. Temporary Lay-offs:** Employers may temporarily lay-off employees for 120 consecutive days. Employers have the option to extend such temporary layoffs indefinitely with the agreement by an employee and by continuing to make payments to the employee or continuing to contribute into a benefit on behalf of the employee over the layoff period. Layoffs need to meet formal requirements and must be communicated in writing.

**2. Reduce Wages:** Employers may opt to reduce wages, hours, or other compensation. While such changes come with some risk as employees may refuse these changes and claim that have been constructively dismissed, due to the current crisis-environment such risks are mitigated somewhat. Changes to employee schedules can also be implemented through the Work-Sharing Program ([here](#)) or where the changes are insignificant.

**3. Request Employees to Use Banked or Vacation time:** Depending on the employment contracts in place, an employer may mandate that an employee take time off in lieu or give notice that an employee must take their annual vacation.

**4. WCB Premium Deferral:** WCB premiums may be deferred until 2021 for all employers in Alberta. If 2020 premiums have already been paid, the employer may apply for a rebate or credit.

**5. Work-sharing program:** Program for reducing employee hours during slower periods. This is an alternative to lay-offs. The duration is now extended from 38 weeks to 76 weeks. For more information, see [here](#).

## Employees: Available Relief

**1. Leave for Employees:** Full and part-time employees to take 14 days of job-protected leave if they are required to self-isolate, caring for a child or dependent adult that is required to self-isolate. For more information, please see our [Small Business Guide](#).

**2. Canada Emergency Response Benefit (CERB):** A \$2,000 per month payment for four months. Any person who has lost their income as a result of COVID-19 can apply (including workers, self-employed and caregivers). Those who can apply for EI should do so and those who cannot (or have not) may apply for the CERB. We will maintain updated information [here](#). Currently, application process details have not yet been released. *The Federal Government has recommended that Canadians sign up for My Account or My Business Account and Electronic Payments.*

**3. Emergency Isolation Support:** This is an Alberta program for a one-time payment of \$1,146. The person must have experienced total or significant loss of income due to positive COVID-19 diagnosis, self-isolation, or needing to care for a self-isolating person. For more information and to apply, see [here](#).

For more information, please see our [Small Business Guide](#) or our [COVID-19 Employer FAQ](#).



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