

# Financial guidance for physicians during COVID-19



**Notice:** This content has been archived and has not been updated since **July 27, 2020**. Archived information should only be used for reference or record keeping purposes. For up-to-date information Canada's COVID-19 economic response plan and programs to benefit you, please visit the [Government of Canada website](#).

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COVID-19 has disrupted most industries, including health care. While the pandemic is placing immense demands on health care providers, many physicians and medical learners are also facing financial uncertainty related to loss of income.

The Canadian Medical Association commissioned MNP, a national accounting and tax firm, to provide a detailed analysis of current federal assistance programs.

The Canadian government has created 5 programs to help Canadian businesses facing hardship as a result of the COVID-19 outbreak; which may be applicable to your medical practice:

- 2 wage subsidies: Canadian Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy for Employers (TWS);
- A loan program: Canadian Emergency Business Account (CEBA);
- Canada Emergency Commercial Rent Assistance (CECRA) – please visit CMHC - CECRA for more information; and
- Canada Emergency Student Benefit (CESB) – please visit CRA - CESB for more information.

However, for business reasons should the above subsidy programs be deemed not applicable, a worker could apply for relief under the Canada Emergency Response Benefit (CERB) if the criteria are met.

# Federal assistance programs overview

## Canada Emergency Wage Subsidy (CEWS)

The CEWS was initially introduced as a 75 percent wage subsidy to *eligible entities* for up to 12 weeks retroactive from March 15 to June 6, 2020. Eligibility of this initial program offering was premised on an *eligible entity* demonstrating a 15% decline in revenue in March 2020 and/or a 30% decline in revenue in April/May 2020 as compared to the corresponding month of the prior year or alternatively the average of January and February 2020 (if elected for all periods).

The Government later announced that it intended to extend this program by an additional 12 weeks to August 29, 2020. June 2020 would require a 30% decline in revenue when compared to the *prior reference periods*. July and August revenue decline requirements were not announced until the Government completed a public consultation.

On July 17, 2020, the Government announced proposed legislation to fully redesign the CEWS program. This proposed legislation received Royal Assent July 27, 2020. Stemming from the consultations, the Government has expanded the CEWS to all *eligible entities* who experience any decline in July through November 2020 (with an intended expansion to December 2020) monthly revenue as compared to its *prior reference periods*. The legislation implemented a base subsidy with varied sliding scales that adjust the amount of the CEWS subsidy to correlate to the month's revenue decline plus a potential 25% top-up for more adversely affected businesses. These new rules are complex and multi-faceted.

In order to facilitate an effective discussion of the CEWS program, the original CEWS program will be referred to as "CEWS 1.0" while the most recent legislation of the CEWS will be referred to as "CEWS 2.0".

### **CEWS Version 1.0 – includes Periods 1 - 4 (March, April, May and June 2020)**

The CEWS for these periods provides a 75% wage subsidy to eligible employers for up to 16 weeks, retractive from March 15 to July 4, 2020.

### **CEWS Version 2.0 – includes Periods 5 - 9 (July, August, September, October, November 2020) with an intended 10<sup>th</sup> period (December)**

Base Subsidy – available to all eligible entities who are experiencing a decline in revenues, with the subsidy amount varying depending on the scale of revenue decline; and

Top-up Subsidy – of up to an additional 25 percent for those employers that have been most adversely affected by the COVID-19 crisis.

## ***Eligible Entity***

To qualify, you must be an *eligible entity*. For all qualifying periods, an *eligible entity* includes individuals, taxable trusts and corporations, and partnerships (provided 50% or more of the members are *eligible entities*).

An *eligible entity* must make a number of attestations which includes that its CEWS application is true and complete and is not false or misleading in all material respects. In addition, the *eligible entity* must attest that the *qualifying revenue* from activities carried on in Canada has declined by the specified amount as compared to their revenue before the COVID-19 crisis. See *qualifying period* below.

The Government has encouraged all *eligible entities* to rehire employees as quickly as possible and to apply for the CEWS if they are eligible. To ensure that the CERB applies as intended, the Government introduced a process to allow individuals rehired by their employer during the same eligibility period to repay any CERB they no longer qualify for.

## ***Qualifying Entity – (now includes entities that pay employees through a Payroll Service Provider/“Agent”)***

In order to be a qualifying entity and hence be able to qualify for the CEWS, the eligible entity must either:

- a) have a payroll number by March 15, 2020 or
- b) a *qualifying entity* uses a payroll service provider who is a person or partnership and by March 15, 2020:
  - i. the *qualifying entity* employs at least one employee and
  - ii. the payroll service provider has a payroll number it uses to make required remittances with respect to the employees of the *eligible entity*.

## ***Calculating Revenues***

Revenue would be calculated using the employer's normal accounting practices (typically the accrual method) or the cash method (if elect to do so). If your normal accounting method is the cash method, new legislation will now permit you to elect to use the accrual method. Revenue would include inflows of cash, receivables or other consideration arising from the rendering of services (or the sale of goods) in Canada. Revenues would not include extra-ordinary items or amounts received under this program or the TWS. CRA, has noted that extra-ordinary items would include federal, provincial or municipal Government assistance/relief received due to Covid-19.

In addition, there are further rules that impact the calculation of revenue.

- Affiliated groups may elect to compute revenue on a consolidated basis.
- Certain *eligible entities* receiving substantially all (90% or more) of their revenue from non-arm's length persons are eligible to elect to calculate their decline in revenue based on the non-arm's length persons' decline in revenue. These rules are complex and should be reviewed with your tax advisor.

## CEWS 1.0 - Amount of Subsidy and Qualifying Periods

### Amount of Subsidy

The subsidy amount for a given employee on *eligible remuneration* paid between March 15 and July 4, 2020 would be the greater of:

- 75 percent of the amount of eligible remuneration paid to both existing and new employees, up to a maximum benefit of \$847 per week or if the employee is not dealing at arm's length with the employer, nil; and
- The amount of *eligible remuneration* paid, up to a maximum benefit of \$847 per week or 75 percent of the employee's *baseline remuneration* (previously referred to as the *pre-crisis* weekly remuneration), whichever is less.

### Qualifying Periods 1 through 4

Employers will be allowed to calculate their change in revenue in March/April/May/June, 2020 using a year-over-year or an alternative approach to determine their eligibility and must maintain consistency in the approach they use over the periods 1 through 4 of the program.

The following table from the Department of Finance provides for the reference periods (period to test revenue) and the *qualifying period* (period in which remuneration has been paid).

	Qualifying Period	Required Reduction of Revenue (equal to at least these percentages) *	Reference Period for Eligibility
Period 1	March 15 – April 11	15%	March 2020 over: <ul style="list-style-type: none"> <li>• March 2019 <b>OR</b></li> <li>• Average of January and February 2020</li> </ul>
Period 2	April 12 – May 9	30%	Eligible for Period 1 <b>OR</b> April 2020 over: <ul style="list-style-type: none"> <li>• April 2019 or</li> <li>• Average of January and February 2020</li> </ul>
Period 3	May 10 – June 6	30%	Eligible for Period 2 (based on revenue decline in period 2) <b>OR</b> May 2020 over: <ul style="list-style-type: none"> <li>• May 2019 <b>or</b></li> <li>• Average of January and February 2020</li> </ul>
Period 4	June 7 – July 4	30%	Eligible for Period 3 (based on revenue decline in period 3) <b>OR</b> June 2020 over: <ul style="list-style-type: none"> <li>• June 2019 <b>or</b></li> <li>• Average of January and February 2020</li> </ul>

In order to provide certainty for employers once an employer is found eligible for a specific period, the employer will automatically qualify for the immediately following period.

### ***CEWS 2.0 - Base Subsidy, Top-up Subsidy and Qualifying Periods***

***Base Subsidy*** would be a specified rate, applied to the amount of *eligible remuneration* paid to the employee for the eligibility period, on remuneration of up to \$1,129 per week as shown in the table below

Claim Period	Qualifying Period	Reference Period for Eligibility	Base rate if revenue reduction percentage (RRP) is at least 50%	Base Rate if RRP < 50%	Maximum weekly Base Subsidy per employee
Period 5 *	July 5 – August 1	June 2020 over: <ul style="list-style-type: none"> <li>• June 2019 <b>or</b></li> </ul> July 2020 over: <ul style="list-style-type: none"> <li>• July 2019 <b>or</b></li> </ul> June/July 2020 over: <ul style="list-style-type: none"> <li>• Average of Jan. and Feb. 2020**</li> </ul>	60%	1.2 x RRP	Up to \$677
Period 6 *	August 2 – August 29	July 2020 over: <ul style="list-style-type: none"> <li>• July 2019 <b>or</b></li> </ul> August 2020 over: <ul style="list-style-type: none"> <li>• August 2019 <b>or</b></li> </ul> July/August 2020 over: <ul style="list-style-type: none"> <li>• Average of Jan. and Feb. 2020**</li> </ul>	60%	1.2 x RRP	Up to \$677
Period 7	August 30 – September 26	August 2020 over: <ul style="list-style-type: none"> <li>• August 2019 <b>or</b></li> </ul> September 2020 over: <ul style="list-style-type: none"> <li>• September 2019 <b>or</b></li> </ul> August/September 2020 over: <ul style="list-style-type: none"> <li>• Average of Jan. and Feb. 2020**</li> </ul>	50%	1.0 x RRP	Up to \$565

Claim Period	Qualifying Period	Reference Period for Eligibility	Base rate if revenue reduction percentage (RRP) is at least 50%	Base Rate if RRP < 50%	Maximum weekly Base Subsidy per employee
Period 8	September 27 – October 24	September 2020 over: <ul style="list-style-type: none"> <li>September 2019 <b>or</b></li> </ul> October 2020 over: <ul style="list-style-type: none"> <li>October 2019 <b>or</b></li> </ul> September/October 2020 over: <ul style="list-style-type: none"> <li>Average of Jan. and Feb. 2020**</li> </ul>	40%	0.8 x RRP	Up to \$452
Period 9	October 25 – November 21	October 2020 over: <ul style="list-style-type: none"> <li>October 2019 <b>or</b></li> </ul> November 2020 over: <ul style="list-style-type: none"> <li>November 2019 <b>or</b></li> </ul> October/November 2020 over: <ul style="list-style-type: none"> <li>Average of Jan. and Feb. 2020**</li> </ul>	20%	0.4 x RRP	Up to \$226
Potential Period 10	TBD but ending no later than December 19, 2020	TBD	TBD	TBD	TBD

\* In Periods 5 and 6, employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75 percent wage subsidy if they have a revenue decline of 30 percent or more (safe harbour rule).

\*\* Average of January and February is only available if the eligible entity makes an election to use this alternative approach consistently for period 5 and all subsequent periods.

*Top-up Subsidy* of up to 25 percent will be available to employers who were the most adversely impacted by COVID-19. The top-up will be determined based on the revenue drop experienced by an eligible employer when comparing revenues in the preceding three months to the same three months in the prior year or the average monthly revenue in the preceding 3 months to the average monthly revenue in January and February 2020.



The following chart illustrates the calculation of the top-up:

3 – month average revenue drop	Top-up CEWS rate	Top-up calculation = 1.25 x (3-month revenue drop – 50%)
70% and over	25%	1.25 x (70% - 50%) = 25%
65%	18.75%	1.25 x (65% - 50%) = 18.75%
60%	12.5%	1.25 x (60% - 50%) = 12.5%
55%	6.25%	1.25 x (55% - 50%) = 6.25%
50% and under	0%	1.25 x (50% - 50%) = 0%

*Eligible remuneration for both CEWS 1.0 and 2.0* includes salary, wages, and other remuneration such as taxable benefits, not including severance pay or items such as stock option benefits.

*Baseline remuneration* for a given employee will be determined on the average weekly *eligible remuneration* paid between January 1 and March 15 inclusively, excluding any seven-day periods in which the employee was not remunerated. Legislation expanded the definition of baseline remuneration to allow employers to choose between periods when calculating the baseline remuneration of their employees. Employers would be allowed to calculate baseline remuneration for an employee as the average weekly *eligible remuneration* excluding any period of 7 or more consecutive days without remuneration paid to the employee from

- January 1 to March 15 (all Periods) or,
- Elect on an employee by employee basis
  - March 1 to May 31 of 2019 (for Periods 1 – 3),
  - March 1 to June 30 of 2019 (for Period 4 if March 1 to May 31, 2019 was not already elected), or
  - July 1 to December 31, 2019 (for Periods 5 – 9).

Different alternative methods for determining *baseline remuneration* may be elected for different *qualifying periods*.

The subsidy for employees not dealing at arm's length with their employers will only be available to those employed at some point from January 1 to March 15, 2020 and/or between March 1 to May 31, 2019 (Periods 1 – 3), March 1 to June 30, 2019 (for Period 4) or July 1 to December 31, 2019 for Periods 5 to 9.

## ***Refund for Certain Payroll Contributions***

A 100 percent refund for certain employer-paid contributions to EI, the CPP, the QPP and the QPIP was introduced as part of this program. This refund is available on employer-paid contributions for *eligible employees* for each week throughout which those employees are on leave with pay, and for those employees that the employer is eligible to claim the CEWS.

An employee is considered on leave if that employee is paid by the employer but does not perform any work for the employer. The refund has no weekly maximum benefit per employee and no overall limit to the refund amount that an *eligible entity* may claim.

Employers will be required to collect and remit employer and employee contributions to each program as usual; eligible employers will apply for a refund at the same time as they apply for the CEWS.

## ***Eligible employees***

Eligibility for the CEWS of an employee's remuneration, is limited to individuals employed in Canada and who have not been without remuneration for 14 or more consecutive days in the *qualifying period*. The 14-day rule does not apply to Periods 5 onward.

Employers that were previously cautioned to exercise particular care in regards to the hiring and dismissing of an employee in any period because of this rule no longer have to worry about qualifying for the CEWS when they hire new employees (or hire back previously laid off employees) during a *qualifying periods*.

## ***CEWS for furloughed employees***

For Periods 5 and 6, the subsidy calculation for a furloughed employee will remain the same as for Periods 1 to 4.

Beginning in Period 7, CEWS support for furloughed employees will be adjusted to align with the benefits provided through the CERB and/or Employment Insurance (EI). This will ensure equitable treatment of employees on furlough between both programs.

For Periods 5 and subsequent periods, the CEWS for furloughed employees will be available to *eligible entities* who qualify for either the base rate or the top-up for active employees in the relevant period.

The employer portion of contributions in respect of the CPP, EI the QPP and the QPIP in respect of furloughed employees will continue to be refunded to the employer.

## *How to Apply*

*Eligible entities* can apply for the CEWS through the CRA's My Business Account portal as well as a web-based application until January 31, 2021.

Please note that the government intends to communicate, or otherwise make available to the public, the name of the employer that makes an application for the CEWS. It is unclear in what manner this communication will be made.

Employers need to keep all records that support the CEWS application including those that demonstrate their decline in revenue and remuneration paid to employees.

For more information, visit the Government of Canada's:

- [Main webpage for CEWS](#)
- [CEWS subsidy calculator](#)
- [CEWS application guide](#)
- [CEWS Backgrounder July 17, 2020](#)

## Temporary Wage Subsidy for Employers (TWS)

The TWS for employers is a three-month measure to help prevent layoffs and support businesses.

The subsidy is equal to 10 percent of the remuneration paid from March 18, 2020 to June 19, 2020, up to \$1,375 for each *eligible employee* and to a maximum of \$25,000 total per employer.

Note that associated Canadian-controlled private corporations ("CCPC") will not be required to share the maximum subsidy of \$25,000 per employer.

The subsidy is calculated and deducted from payroll remittances owing to the CRA. The current payroll remittance of federal, provincial or territorial income **tax owing to the CRA** would be reduced by the amount of the subsidy.

If the income taxes deducted are not enough to offset the value of the subsidy in a specific period, future payroll remittances can be reduced. This includes reducing remittances that may fall outside of the application period for the wage subsidy (after June 19, 2020).

## *Eligibility*

TWS is limited to the following employers:

1. A CCPC that is eligible for the small business deduction subject to rules. A medical professional corporation would generally be a CCPC. Consult your tax advisor regarding eligibility and status of your professional corporation as a CCPC;
2. An individual (other than a trust);
3. A partnership, all members of which are: eligible CCPCs, individuals, partnerships and registered charities;
4. A non-profit organization exempt from tax; and
5. A registered charity.

An *eligible employer* qualifies provided they:

- Employ one or more individuals in Canada;
- Have an existing business number and payroll program account with the CRA on March 18, 2020; and
- Pay salary, wages, bonuses or other remuneration to an *eligible employee*.

## *Other*

Note that the subsidy is required to be reported as income in the year in which it is received. To the extent that any amount is received under TWS, this will generally reduce the amount that can be claimed under the CEWS. CRA has released Form PD27 for the 10% Temporary Wage Subsidy Self-Identification Form for Employers.

For more information, visit the Government of Canada's [FAQ on TWS](#).

## Canada Emergency Business Account (CEBA)

The CEBA is available for eligible businesses and provides a loan for up to \$40,000 to fund certain expenses incurred by the business. The loan is interest free up to December 31, 2022 and no principal payment are required. If you pay at least 75% of the loan (\$30,000) by December 31, 2022 then the remaining \$10,000 is forgiven.

If the loan balance is not repaid by December 31, 2022, then the loan is converted into a term loan with a 5% interest rate and due December 31, 2025. No principal payments are due during the term of the loan; however, the full balance is due at December 31, 2025.

As the banks are administering this program, please consult your financial institution for specific criteria; however, based on our current understanding, the loan is available to Canadian operating businesses who meet the criteria below:

- an active business chequing/operating account with a bank on March 1, 2020 (*should your business operate through a personal account, it will not qualify*);
- a business number with the CRA as of March 1, 2020;
- either:
  - payroll between \$20,000 and \$1,500,000 for the 2019 calendar year (and supported by your T4 Summary) or
  - payroll less than \$20,000 for the 2019 calendar year and you have:
    - filed a 2018 or 2019 tax return
    - eligible non-deferrable expenses between \$40,000 and \$1,500,000. Eligible non-deferrable expenses include costs such as rent, property taxes, utilities, and insurance. Expenses will be subject to verification and audit by the Government of Canada; and
- good credit standing (which may be required by some banks).

The loan is available through your primary banking institution and is to be used to cover non-deferrable costs such as payroll, rent, insurance and utilities.

- Contact your primary business bank to apply.

For more information about the program, visit the Government of Canada's [FAQ on CEBA](#).

## Canada Emergency Response Benefit (CERB)

The legislation provides that a worker will be eligible for the program if he/she has ceased work for at least 14 consecutive days within the initial four-week application period, due to reasons related to COVID-19 and does not receive income in the consecutive days they ceased work. A worker can re-apply for CERB for multiple 4-week periods, to a maximum of 24 weeks (6 out of the 7 available periods).

Although not legislated, the Government expanded the eligibility to the CERB program to situations where an individual earns \$1,000 (before taxes) or less during an eligibility period. If this applies to your situation, you may be eligible to apply for a previous period, starting March 15, 2020.

The CERB provides a payment of \$2,000 for a 4-week period (equivalent to \$500 a week) for up to 24 weeks. The amount of the support payment is subject to change by government regulation. The benefit is available until October 3, 2020. Applications can be filed until December 2, 2020.

Per the CRA, payments received under the CERB will be included in the recipient's taxable income, meaning there will be no tax withheld on the payment. As a result, the recipient will owe income tax when they file their personal tax return for 2020.

### *Eligibility*

A person will be eligible if they are considered a *worker* and if they meet certain eligibility requirements for the program.

A *worker* is a person who is at least 15 years of age, who was a resident of Canada in 2019 and had total income of at least \$5,000 from employment, self-employment or non-eligible dividends in either 2019 or in the 12 months immediately preceding their application. We also understand that a *worker* can count non-eligible dividends towards the \$5,000 income requirement.

A *worker* will be eligible for the program if work he/she has non-voluntarily stopped working because of reasons related to COVID-19 and has not earned more than \$1,000 in employment/self-employment income or non-eligible dividends for 14 or more consecutive days within the initial four-week benefit period of their claim. When submitting subsequent claims, one cannot have earned more than \$1,000 in employment/self-employment income for the entire four-week benefit period of the new claim. The reasons for ceasing work could include sickness, quarantine, closure of business, taking care of an ill family member or taking care of children due to closure of schools and daycares.

## *Other*

This program applies to wage earners, contract workers and self-employed individuals who would not otherwise be eligible for EI. Additionally, a *worker* could also receive payments under this program if they are still employed but are not receiving more than \$1,000 of income due to a COVID-19 related disruption.

You will be able to apply for the new CERB through CRA's My Account or using the dedicated phone line.

For more information, visit the Government of Canada's [main webpage for CERB](#).

## Federal assistance program eligibility by employment scenario

### A. Employees of a Self-Employed Physician or Professional Corporation

The following commentary is directed at self-employed physicians and professional corporations. The professional corporation may employ/compensate you as a physician and other staff which may include family members. While the self-employed physician cannot employ him/herself as a physician, he/she may employ or compensate other staff which could include family members.

#### ***CEWS – A***

The Department of Finance has released the CEWS program and has recently legislated an expansion to this program until November 21, 2020 and possibly until December 19, 2020. The following are a few of the factors that should be considered:

- Are you an *eligible entity*? *Eligible entity* includes an individual and taxable corporation. As such, both, a self-employed physician and a professional corporation would meet the definition of an *eligible entity*;
- An *eligible entity* will have to calculate their *qualifying revenue* in order to determine their eligibility.
- **CEWS 1.0 (Periods 1 – 4; March 15 – July 4, 2020)**
  - A decline in revenue of at least 15 percent in March 2020, 30 percent for April/May/other prescribed periods as compared to each month's *prior reference period* will need to be demonstrated;
  - The amount of the CEWS that can be claimed for each employee (new or existing) is calculated as the greater of:
    - 75 percent of *eligible remuneration* (includes salary, wages and other remuneration) up to a maximum of \$847 per week or if the employee is not dealing at arm's length with the employer, nil, whichever is less; and
    - the amount of *eligible remuneration* paid, up to a maximum benefit of \$847 per week or 75 percent of the employee's baseline remuneration (previously referred to as the *pre-crisis* weekly remuneration), whichever is less.



- **CEWS 2.0 (Periods 5 – 9; July 5 – November 21, 2020)**
  - The requirement for a minimum 30 percent revenue decline was eliminated. Effective July 5, 2020, the CEWS consists of two parts:
    - A base subsidy available to all eligible employees who are experiencing a decline in revenues, with the subsidy amount varying depending on the scale of revenue decline; and
    - A top-up subsidy of up to an additional 25 percent for those employers who have been most adversely affected by the COVID-19 crisis.
  - The base subsidy rate and top-up subsidy rate is to be applied to each employee for the eligibility period, on remuneration paid up to \$1,129 per week.
  - The Government has recently expanded the definition of *baseline remuneration* as the average weekly *eligible remuneration* paid to the *eligible employee* which excludes any period of seven or more consecutive days for which the employee was not remunerated during the period of:
    - January 1, 2020 through March 15, 2020 or
    - Alternatively (if the *eligible entity* elects):
      - March 1 to May 31, 2019 (for Periods 1-3);
      - March 1, to June 30, 2019 (for Period 4 if March 1 to May 31, 2019 was not elected); or
      - July 1 to December 31, 2019 (for Period 5 and onward).
  - Employers would be able to choose which period to use on an employee-by-employee basis and elect alternative methods for determination of baseline remuneration for different qualifying periods.
  - There are additional rules pertaining to *eligible remuneration* that prevent any amount received by an employee to be paid or returned to the employer, a non-arm's length party or to another person/partnership at the direction of the entity. These rules also preclude remuneration arrangements being entered into between the employee and employer whereby one of the main purposes for the arrangement is to increase the amount of the CEWS.

*Eligible employees* are to be employed in Canada and not without remuneration for 14 or more consecutive days in the *qualifying period*. The 14 or more consecutive day restriction has been eliminated for periods 5 onward.

Physicians who suspect that their *qualifying revenue* has decreased or will decrease by at least 15 percent in March or 30 percent in April/May/June or experiences any decline in revenue in July through November 2020 should consult with their accountant regarding evidence to support this position.

### *More information on the CEWS program*

For further insights on how CEWS can apply to both self-employed physicians and professional corporations, read the frequently asked questions on this topic.

### *TWS – A*

The TWS is a three-month measure to help prevent layoffs and support businesses. The subsidy is equal to 10 percent of the remuneration paid from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per eligible employer.

As an employer, it would be necessary to assess the eligibility with respect to obtaining the TWS.

### *More information on the TWS program*

For further insights on how TWS can apply to both self-employed physicians and professional corporations, read the frequently asked questions on this topic.

### *CEBA – A*

CEBA is available for eligible businesses and provides a loan for up to \$40,000 to fund certain expenses incurred by the business. The loan is interest free up to December 31, 2022 with no principal payments required. If you pay at least 75 percent of the loan (\$30,000) by December 31, 2022 then the remaining \$10,000 is forgiven.

If the loan balance is not repaid by December 31, 2022, then the loan is converted into a term loan with a 5 percent interest rate and due December 31, 2025. No principal payments are due during the term of the loan; however, the full balance is due on December 31, 2025.

### *More information about the CEBA program*

For further insights on how CEBA can apply to both self-employed physicians and professional corporations, read the frequently asked questions on this topic.

### *CERB – A*

For business reasons, should the CEWS, TWS and CEBA programs be deemed not applicable, a worker could apply for relief under the CERB if the criteria are met.

A worker will be eligible for the program if he/she has involuntarily stopped work due to reasons related to COVID-19 and does not earn more than \$1,000 (pre-tax) in employment and/or self-employment income for 14 or more consecutive days within the 4-week benefit period of the initial claim. A worker can re-apply for CERB for multiple 4-week periods, to a maximum of 24 weeks (6 periods) and must not earn more than \$1,000 (pre-tax) in employment and/or self-employment income and/or non-eligible dividends with respect to each additional 4-week period claim.

The Benefit is available from March 15, 2020, to October 3, 2020. You can apply no later than December 2, 2020 for payments retroactive to within that period.

### ***More information about the CERB program***

For further insights on how CERB can apply to both self-employed physicians and professional corporations, read the frequently asked questions on this topic.

## **B. Cost Sharing Arrangement**

Under a cost-sharing arrangement, employees would be jointly employed by the principals in the arrangement. Typically, the principals (*self-employed physicians or their professional corporation*) under an agency relationship would delegate responsibility or authority to an agent. The agent would be given discretion to pay the employees, withhold the appropriate amount of taxes, file T4 slips, hire and terminate on behalf of the principals.

Generally, there are two situations to assess with respect to the new government programs for a physician in a cost sharing agreement:

1. **Employees of the principals** (*self-employed physicians or professional corporations*) - may include the physician's staff (if applicable) and the physician's family members that work in the practice. The professional corporation may also include the physician him/herself as an employee. Please refer to discussion under A (Employees of a Self-Employed Physician or Professional Corporation); and
2. **Jointly employed staff** – includes employees who are jointly employed under a cost sharing arrangement. For purposes of this discussion, we assumed that staff jointly employed in a cost sharing agreement are considered employees of each principal (self-employed physicians or professional corporations). *Please confirm this assumption with your tax advisor.*

### ***CEWS – B***

In a cost sharing arrangement, employees are jointly employed by any combination of self-employed physicians and professional corporations and an "agent" is administering payroll.

The concept of "agency" is not defined in the Income Tax Act (ITA). An "agency" relationship has been accepted by CRA on an administrative basis with respect to payroll, on particular facts.

Previously we noted, that CRA did not respect the "agency" relationship for purposes of claiming the CEWS which led to the CMA advocating for legislation to be inclusive to *eligible entities* that employ employees through an "agent". On July 17, 2020, the Government announced that entities who had their payroll administered by a "payroll service provider" would qualify for the CEWS. It is viewed that the term "payroll service provider" is synonymous with the term "agent". Thus, if the following criteria is met on March 15, 2020, *eligible entities* would also qualify for the wage subsidy:

- The *eligible entity* employs one or more individuals in Canada;
- The “agent” had its own payroll account number; and
- The “agent” made the appropriate remittances for the employees of the entity.

It is still necessary for each self-employed physician and professional corporation to calculate their *qualifying revenue* in order to determine their eligibility for each *qualifying period*.

As a successful CEWS application may be based on the relevant facts and application of the law, please contact your tax advisor or legal counsel to discuss further.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

### ***TWS – B***

The TWS is a three-month measure to help prevent layoffs and support businesses. The subsidy is equal to 10 percent of the remuneration paid from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per eligible employer.

Like CEWS, because the employees are jointly employed by any combination of self-employed physicians and professional corporations, each "employer" would be required to assess their eligibility with respect to obtaining the TWS. The concept of "agency" is not defined in the ITA. An "agency" relationship has been accepted by CRA on an administrative basis with respect to payroll, on particular facts. A successful TWS application is dependent upon the on the relevant facts and an application of law. This is best explained by example:

- Let's assume that PC A ("A"), PC B ("B"), and self-employed physician C ("C") are each "eligible employers" of all employees and that each of A, B, and C have engaged Agent Company to discharge the responsibilities related to all employees under an agency relationship.
- On the basis that the PCs and the self-employed physician are "eligible employers", the Agent Company may claim the TWS on behalf of each of A, B and C. Each of A, B, and C would be required to recognize their "share" of the subsidy as income in the year in which the subsidy is received.
- If for example, A is not an eligible employer, the Agent Company may claim the TWS on behalf of B and C. Assuming, that they all share costs equally regarding employees (33% each), the Agent Company would claim 66% of the TWS or the proportion that relates to B and C. Each of B and C would recognize their "share" of the subsidy (33%) as income in the year in which the subsidy is received. A may have no income inclusion because A was not eligible.

Please contact your tax advisor or legal counsel with regard to claiming TWS via an agent and how this may interact with claiming the CEWS.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

## ***CEBA – B***

Each principal of a cost sharing arrangement would need to apply for the CEBA and assess based on facts specific to each of them. A principal who is a self-employed physician or a professional corporation may also qualify for the CEBA if its 2019 payroll was less than \$20,000.

Please refer to the questions and answers in the self-employed physician or professional corporation section for more information.

## ***CERB – B***

For business reasons should the CEWS, TWS and CEBA programs be deemed not applicable, a worker could apply for relief under the CERB if the criteria are met.

A worker will be eligible for the program if he/she has involuntarily stopped work due to reasons related to COVID-19 and does not earn more than \$1,000 (pre-tax) in employment and/or self-employment income for 14 or more consecutive days within the 4-week benefit period of the initial claim. A worker can re-apply for CERB for multiple 4-week periods, to a maximum of 24 weeks (6 periods) and must not earn more than \$1,000 (pre-tax) in employment and/or self-employment income with respect to each additional 4-week period claim.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

## **C. Partnerships**

Generally, there are two situations to assess with respect to the new government wage subsidy and loan programs for a physician or a physician's professional corporation who is a partner in a partnership:

1. **Employees of the partners** (*self-employed physicians or professional corporations*) – may include the physician's staff (if applicable) and the physician's family members that work in the practice. The professional corporation may also include the physician him/herself as an employee; and
2. **Employees who are employed by the partnership**

### ***1. Workers Directly Employed by Partner (Self-Employed Physician or Professional Corporation)***

The following commentary is directed at employees of either a self-employed physician or professional corporation which could include the physician, arm's length employees and non-arm's length employees such as the physician's family members who work in the practice. For clarity, it is assumed that both the self-employed physician and/or the professional corporation are partners (members) of the partnership.

## CEWS – C - 1

The self-employed physician and/or professional corporation rather than the partnership would be required to assess the eligibility with respect to obtaining the CEWS for its own employees (the employees of the self-employed physician and/or professional corporation could be different than the employees of the partnership).

If subsidies or payments are available and received directly by the partner, they would be taxed at the partner's relevant income tax rate (marginal tax rates for the self-employed physician and either the small business rate or the general rate for a professional corporation).

The key question to be answered here with regard to the eligibility is the decline in *qualifying revenue*. If the partner and the partnership are not dealing at arm's length, then special rules could apply to the partner to take into account the revenue of the partnership in computing the decline. *Please consult your tax advisor for further information in this regard as these rules are complex.*

If the partner is dealing at arm's length with the partnership, it is unclear as to whether the revenue of the partnership could be used to compute the revenue of the partner and *you should consult your tax advisor in this regard.*

Although, the CEWS program has been legislated, the following are some of the unresolved issues that should be considered:

- How does a partner measure *qualifying revenue*?
  - Does a partnership draw from a partnership constitute an "inflow of cash" using your normal accounting practices?
  - If no, can you elect to use the cash method to include draws in *qualifying revenue*?
  - Because a partnership is deemed to be a taxpayer, do we assume that normal partnership concepts may not apply?
- For non-arm's length employees, the *eligible remuneration* paid is the lesser of the maximum benefit of \$847 per week or 75 percent of the employee's *baseline remuneration* (previously referred to as the *pre-crisis* weekly remuneration) for periods 1 through 4.

For more information on the baseline remuneration, please refer to the self-employed physician or professional corporation section. Even with the unanswered questions above, it would be advisable to review the compensation paid to all non-arm's length employees with your accountant.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

### ***TWS - C - 1***

As an employer, the self-employed physician and/or professional corporation rather than the partnership would be required to assess the eligibility with respect to obtaining the TWS for its own employees (the employees of the self-employed physicians and/or professional corporation could be different than the employees of the partnership).

Subsidies or payments received directly by the partner would be taxed at the partner's relevant income tax rate (marginal tax rates for the self-employed physician and either the small business rate or the general rate for a professional corporation).

Please refer to the question and answers in the self-employed physician or professional corporation or section for more information.

### ***CEBA – C - 1***

The CEBA is available for eligible businesses and provides a loan for up to \$40,000 to fund certain expenses incurred by the business. The loan is interest free up to December 31, 2022 and no principal payments are required. If you pay at least 75 percent of the loan (\$30,000) by December 31, 2022 then the remaining \$10,000 is forgiven.

If the loan balance is not repaid by December 31, 2022, then the loan is converted into a term loan with a 5 percent interest rate and due December 31, 2025. No principal payments are due during the term of the loan; however, the full balance is due on December 31, 2025.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

### ***CERB – C - 1***

For business reasons should the CEWS, the TWS and the CEBA programs be deemed not applicable, a worker could apply for relief under the Canada Emergency Response Benefit if the criteria are met.

A worker will be eligible for the program if he/she has involuntarily stopped work due to reasons related to COVID-19 and does not earn more than \$1,000 (pre-tax) in employment and/or self-employment income for 14 or more consecutive days within the 4-week benefit period of the initial claim. A worker can re-apply for CERB for multiple 4-week periods, to a maximum of 24 weeks (6 periods) and must not earn more than \$1,000 (pre-tax) in employment and/or self-employment income with respect to each additional 4-week period claim.

Both arm's length and non-arm's length individuals are eligible for the program provided they meet the conditions.

Please refer to the question and answers in the self-employed physician or professional corporation section for more information.

## 2. Employees of Partnership

The following commentary is directed at a partnership that employs workers. Of note, a partnership cannot pay a partner a salary. For clarity, partners receive draws or cash payments and the partnership allocates its taxable income to its partners at year-end pursuant to its partnership agreement.

### CEWS – C - 2

The partnership would be required to assess its eligibility to access the CEWS.

We currently know that the partnership will need:

- to assess that all partners meet the definition of *eligible entity* (includes: individuals, trusts, non-profit organizations and taxable corporations) and
- to calculate its *qualifying revenue* in order to determine its eligibility. A revenue decline of at least 15 percent in the month of March 2020 when compared to March 2019 or alternatively, the average of January and February 2020 will need to be demonstrated. For April, May and June, it will be necessary to demonstrate at least a 30 percent reduction using the same benchmark and methodology used for March. Once an employer is found eligible for a specific *qualifying period*, the employer will automatically qualify for the next *qualifying period (applicable to periods 1 to 4 only)*. For all periods from July onwards, the 30 percent revenue decline requirement has been eliminated. Rather, a base subsidy will be available to all eligible entities who are experiencing a decline in revenues with a potential top-up subsidy of an additional 25 percent for those employers who have been most adversely affected by the COVID-19 crisis.

Receipt of the CEWS is taxable. The partnership would include the CEWS received in its taxable income which is allocated to the partners (in accordance with the partnership agreement) at the end of the year. The allocation of partnership taxable income is taxed at the partner level.

For partnerships filing SR&ED claims, a wage subsidy received under this program would also reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration. *Please contact your tax advisor for further details.*

### TWS - C - 2

The TWS is a three-month measure to help prevent layoffs and support businesses. The subsidy is equal to 10 percent of the remuneration paid from March 18, 2020 to June 19, 2020, up to \$1,375 for each *eligible employee* and to a maximum of \$25,000 total per *eligible employer*.

The partnership itself would be required to assess its eligibility with respect to claiming TWS.

Generally, the partnership must meet the following criteria:

- employs one or more *eligible employees*;
- has a registered payroll number with CRA on March 18, 2020; and
- **all** partners/members of the partnership are exclusively individuals, Canadian-controlled private corporations eligible for the small business deduction and/or registered charities. Of note, if any partners are a trust, the partnership will not be eligible.



Receipt of the TWS is taxable. The partnership would include the TWS received in its taxable income which would be allocated to the partners (in accordance with the partnership agreement) at the end of the year. The allocation of income from the partnership is taxed at the partner level.

For partnerships claiming SR&ED, a wage subsidy received under this program would also reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

Please consult your tax advisor for further information if you would like to apply.

### ***CEBA – C - 2***

The CEBA is available for eligible businesses and provides a loan for up to \$40,000 to fund certain expenses incurred by the business. The loan is interest free up to December 31, 2022 and no principal payments are required. If you pay at least 75 percent of the loan (\$30,000) by December 31, 2022 then the remaining \$10,000 is forgiven.

If the loan balance is not repaid by December 31, 2022, then the loan is converted into a term loan with a 5 percent interest rate and due December 31, 2025. No principal payments are due during the term of the loan; however, the full balance is due at December 31, 2025.

A partnership could be eligible for the CEBA. Please confirm the partnership's eligibility with your financial institution.

### ***CERB – C - 2***

For business reasons and after subsidy programs (CEWS, TWS and CEBA) are evaluated, if it is decided by the partnership that there is no longer work to be completed, a worker, employed by the partnership, could apply for the CERB program provided they are eligible.

A worker will be eligible for the program if he/she has involuntarily stopped work due to reasons related to COVID-19 and does not earn more than \$1,000 (pre-tax) in employment and/or self-employment income for 14 or more consecutive days within the 4-week benefit period of the initial claim. A worker can re-apply for CERB for multiple 4-week periods, to a maximum of 24 weeks (6 periods) and must not earn more than \$1,000 (pre-tax) in employment and/or self-employment income with respect to each additional 4-week period claim.

## Frequently asked questions for self-employed physicians and professional corporations

### CEWS (Version 1.0 – March 15 – July 4, 2020)

What is the *prior reference period* for the reduction in *qualifying revenue* (15 percent in March 2020; 30 percent in April/May/June 2020)?

The CEWS is available retroactively from March 15, 2020 to July 4, 2020 (16 weeks). *Eligible entities* must demonstrate a reduction in *qualifying revenue* of least 15 percent in March 2020 or 30 percent in April/May/June 2020 when compared to the same month in 2019 or alternatively, compared to the average of January and February 2020 (pursuant to an election). The same comparative method must be used for all four months.

Once an entity is found eligible for a qualifying period, the employer will automatically qualify for the next period.

As an example, if a self-employed physician or professional corporation had a decline in *qualifying revenue* of at least 15 percent for the period of March 2020 when compared to March 2019, the CEWS would be available for *eligible remuneration* paid to *eligible employees* for the *qualifying period* of March 15 to April 11 and would automatically qualify for the April 12 – May 9 *qualifying period*.

The following table from the Department of Finance provides for the reference period (period to test revenue) and the claiming period (period in which remuneration has been paid) for Periods 1 – 4 (March 15 – July 4, 2020). Please refer to CEWS Version 2.0 for information on CEWS for Periods 5 – 9 (July 5 to November 21, 2020).

	Qualifying Period	Required Reduction of Revenue (equal to at least these percentages)	Reference Period for Eligibility
Period 1	March 15 – April 11	15%	March 2020 over: <ul style="list-style-type: none"> <li>• March 2019 <b>OR</b></li> <li>• Average of January and February 2020</li> </ul>
Period 2	April 12 – May 9	30%	Eligible for Period 1 <b>OR</b> April 2020 over: <ul style="list-style-type: none"> <li>• April 2019 or</li> <li>• Average of January and February 2020</li> </ul>
Period 3	May 10 – June 6	30%	Eligible for Period 2 (based on revenue decline in period 2) <b>OR</b> May 2020 over: <ul style="list-style-type: none"> <li>• May 2019 <b>or</b></li> <li>• Average of January and February 2020</li> </ul>
Period 4	June 7 – July 4	30%	Eligible for Period 3 (based on revenue decline in period 3) <b>OR</b> June 2020 over: <ul style="list-style-type: none"> <li>• June 2019 <b>or</b></li> <li>• Average of January and February 2020</li> </ul>

**I opened my practice (self-employed physician or professional corporation) on March 1, 2019 (or after) and the practice does not have 2019 revenue figures. Am I still eligible and what should I use for my comparative *qualifying revenue*?**

In this case, your March, April/May/June 2020 *qualifying revenue* would be compared to the average of your January and February 2020 *qualifying revenue*.

**I was off from March 2019 through to February 2020 for maternity leave, disability, sabbatical or other. How do I compare *qualifying revenues*?**

If you have revenue in February 2020, you could be eligible based on a formula provided in legislation. *Please consult your accountant for further information.*

Alternatively, if you have no revenue in January or February 2020, it appears that the CEWS would not be applicable to this situation.

**I am a locum physician with a professional corporation and not working due to COVID-19.**

**Should I claim the CERB or the wage subsidies?**

Let's start with the wage subsidy programs. For a locum physician, the 10% wage subsidy program (TWS) has practical limitations. Namely the program is only accessible when paying a wage. When earning zero revenues, a wage would be funded by utilizing a professional corporation's capital (savings) or the professional corporation may have to borrow money. As a result, most locum doctors would likely evaluate the CEWS program and the CERB program because they represent additional cash "inflows".

If the CEWS avails itself to the physician's corporation, the maximum amount available is \$847 per week per employee for the first 16 weeks and \$1,129 per week per employee for the remaining 20 weeks (possibly 24, if the Government extends the program to December 31, 2020. Here are a few matters to consider:

1. In total, the CEWS program is scheduled to last 36 weeks for a total wage subsidy of \$17,561 of pre-tax dollars (16 weeks x \$847 + [\\$4,009 as per the Department of Finance for the remaining 20 weeks](#)).
2. The physician professional corporation receiving the subsidy would be required to pay corporate taxes in respect of the subsidy received. In this example, the subsidy received is \$17,561.
3. The physician's professional corporation may have to match CPP on the wages paid at a rate of 5.25 percent. The CPP cost assumed by the professional corporation would be approximately \$922. If the locum physician as an employee of the professional corporation was on paid leave, this amount could in theory be recovered by the professional corporation as the employer.
4. Assuming a 50% marginal rate of income tax, the employee would "net" approximately \$8,781 of after-tax dollars.

The CERB provides \$2,000 per four-week period up to 24 weeks or \$12,000 in total. Assuming a 50% marginal rate of tax, the after-tax benefit would be \$6,000.

In short, the CEWS program may provide an employee with \$2,781 of additional after-tax dollars. However, the professional corporation may have to expend \$922 of CPP to achieve this result and the professional corporation would also incur more professional fees regarding CEWS when compared to completing a CERB application. Due to the expanded CEWS program, it appears to be the more financially advantageous program when compared to the CERB should you qualify for the maximum amount for the full 36 weeks under the CEWS.

**My practice revenues have suffered a decline of at least 15 percent during the month of March 2020 compared to March 2019. However, January and February billings were still deposited into my bank account through March 2020. When measuring my *qualifying revenue* for March 2020, do I include all cash deposits or should I use another basis?**

*Qualifying revenues* are to be calculated using your normal accounting practices. Typically, self-employed physicians and professional corporations would use an accrual-based method of accounting. As such, any services rendered in January and February would not be included in March revenue.

Alternatively, you may elect to use the cash accounting method as long as the same method is used for all eligible periods. *Please consult your accountant on which method could be most beneficial for your CEWS application.*

**I was practicing last year as a self-employed physician for most of 2019 and in December, incorporated my practice in December. Am I eligible for the CEWS?**

The initial CEWS legislation did not enable the incorporated practice to use the 2019 self-employed revenue figures as a comparable. And thus, your incorporated practice was only able to use the average of its January and February 2020 *qualifying revenues* as a *prior reference period*.

However, the Government has now legislated that where an *eligible entity* has acquired all or substantially all of the assets of a business carried on in Canada by a seller and files an election, the *eligible entity* may include the *qualifying revenue* of the seller in its *qualifying revenue* in respect of both the *prior reference period* and the *current reference period*. This election would need to be filed for each *qualifying period* it pertains to. *As these rules are complex, we recommend consulting with your accountant for further advice.*

**I am an academic physician with clinical and academic revenue. Will I qualify for CEWS if my academic revenue is consistent year over year, but my clinical revenue has suffered a reduction of at least 15 percent in March 2020?**

*Qualifying revenue* will consider all sources of third-party income from services rendered (or goods sold) in Canada: (clinical, research, teaching, administration, on-call, etc.).

The following table provides an example of how this operates whether you operate as a self-employed physician or a professional corporation.

Revenue Source	March 2020	March 2019	Ave. Jan & Feb 2020	Change	% Decrease
Academic	\$500	\$500	\$500	Nil	0%
Clinical	\$1,230	\$1,500	\$1,500	(\$270)	18%
Total	\$1,730	\$2,000	\$2,000	(\$270)	13.5%

In the table above, while the clinic revenues have decreased by 18 percent, the total revenues have not decreased by the threshold of 15 percent. As such, under the normal accounting practice the academic physician would not qualify for the CEWS program. However, it might be worthwhile to determine if the cash basis would produce a more desirable result.

If you experience a decline in revenue in any month between July through November, you may qualify for a CEWS claim under the new rules. Please refer to CEWS Version 2.0.

### **Do I need to make my payroll remittances in full if I am eligible for the CEWS?**

A self-employed physician or professional corporation will need to make payroll remittances in full as usual. The CRA will deposit the eligible subsidy amount in your account in the future.

It is possible for employers to receive a 100 percent refund for certain employer-paid contributions to EI, the CPP, the QPP and the QPIP. This refund will cover 100 percent of employer-paid contributions for *eligible employees* for each week throughout which those employees are **on leave with pay** and for which the employer is eligible to claim the CEWS for those employees.

There is an important cashflow consideration which the employer should be mindful of. There will be timing differences between payment to the employee, remittance of payroll deductions, and receipt of the subsidy which could include certain employer-paid contributions, if applicable.

To expedite subsidy payments, ensure you have signed-up for direct deposit with the CRA.

### **Could the CEWS apply to an incorporated physician paying themselves or family members a salary? Alternatively, could the CEWS apply to a self-employed physician paying their family members' salaries?**

CEWS may apply to salaries paid to you or a family member. There are special rules that apply to employees that do not deal at arm's length. The subsidy for such *eligible employees* will be limited to the *eligible remuneration* paid in any pay period between March 15 and July 4, 2020, up to a maximum benefit of \$847 per week or 75 percent of the employee's *baseline remuneration*.

The subsidy available to non-arm's length employees from July 5 to November 21, 2020 will be based on the *eligible remuneration* paid in any period that does not exceed \$1,129 per week to that employee or their *baseline remuneration*, if it is a lesser amount. The lesser amount is linked to the period's decline in revenues.

*Baseline remuneration* for an *eligible employee* of an *eligible entity* would be based on the average weekly *eligible remuneration* paid between January 1 and March 15, 2020 inclusively, excluding any period of seven or more consecutive days for which the employee was not remunerated. Alternatively, employers may elect to use average weekly *eligible remuneration* from:

- (i) March 1, 2019 to May 31, 2019 (for Periods 1 to 3);
- (ii) March 1, 2019 to June 30, 2019, or March 1, 2019 to May 31, 2019, (for Period 4); and
- (iii) July 1, 2019 to December 31, 2019 (for Periods 5 onward).

Generally, non-arm's length employees that were in receipt of regular payroll from January 1 to March 15, 2020 or alternatively from March 1 to May 31, 2019, March 1 to June 30, 2019 or July 1 to December 31, 2019 will be considered to be in receipt of *eligible remuneration* for a *qualifying period* for purposes of the CEWS.

The government was very deliberate in the drafting of the legislation with respect to the non-arm's length remuneration. The special rules for non-arm's length employees should be reviewed with your accountant.

As self-employed physicians do not receive a salary, their income will not qualify for the CEWS.

**I have only received dividends from my professional corporation, do I qualify for CEWS?**

At the current time this situation is not eligible for CEWS as dividends do not qualify as eligible remuneration.

**Does the CEWS program apply to a physician who did not have a payroll account open on or before March 15, 2020?**

Legislation requires a business number in respect of payroll to be registered on March 15, 2020 and as such, it would appear that both a self-employed physician or a professional corporation will not qualify for the CEWS unless a "payroll service provider" provider was utilized and you employed one or more individuals on March 15, 2020. If you are going to rely on a "payroll service provider" to access CEWS, please consult your accountant.

**I have laid off my employees. Should I consider rehiring them?**

The decision to rehire an employee will be dependent on the specific facts and circumstances of your business including cash flow considerations. The CEWS program may be available to offset a portion of your employment costs.

You should consult your accountant as the CEWS program is complex and multi-faceted. Currently, the program is available from March 15 to November 21, 2020 (possibly December 31, 2020). Claims must be submitted by January 31, 2021.

**How does the CEWS impact a SR&ED claim made by a professional corporation?**

The wage subsidy received by an employer would be considered government assistance and included in the employer's taxable income. Assistance received under the CEWS would reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

**I employ a full-time caregiver to allow me to work. Am I eligible to claim the CEWS?**

No. A requirement is to have a decline in revenue of the business which is not met. However, you could apply for the TWS.

### **If I am eligible for the CEWS, will I pay tax on the subsidy received?**

Yes. Self-employed physicians will be subject to their marginal rate of tax. Incorporated physicians who are below the small business deduction threshold will be subject to the small business rate of tax. Incorporated physicians who are above the small business deduction threshold will be subject to the general rate of corporate tax.

### **How do I apply for the CEWS?**

Both the self-employed physician and professional corporations can apply for the CEWS through your CRA My Business Account or through a web-based form.

Given the complexity of the revenue calculations and the requirement for employers to attest that their application is complete and accurate, we recommend you consult your accountant for assistance. Employers need to keep adequate records to ensure that their claim is accurate and complete and clearly supports your eligibility for the wage subsidy for the claim period. These records need to include working papers that demonstrate their decline in revenue and calculations of all *eligible remuneration* paid to each employee in the *qualifying period*.

Please note that the Government intends to communicate, or otherwise make available to the public, the name of any employer that makes an application for the CEWS. The manner in which this communication is made is still being determined.

Employers not meeting eligibility requirements will be required to repay amounts received under the CEWS. Fraudulent claims may result in penalties, including fines or even imprisonment. Employers engaging in artificial transactions to reduce revenues for the purpose of claiming the CEWS will be subject to a penalty to 25 percent of the subsidy claimed, in addition to the requirement to repay the full amount of subsidy received.

The Government has released [a guide](#) and [a wage subsidy calculator](#) to assist with your CEWS application.

### **Can I access the TWS and CEWS programs at the same time?**

Employers that are eligible for both the CEWS and TWS generally will have to decrease the CEWS calculation by the TWS claimed for that same period. If an eligible entity completes their CEWS application and does not enter an amount for the TWS, the CEWS will be determined as if the employer is electing 0% as the prescribed percentage for calculating your TWS and requesting the maximum amount. The 10% TWS Self-identification Form for Employers (PD 27) is now available.



## TWS

### **Why would I consider the TWS if I am only subsidized at a rate of 10 percent of remuneration paid when I appear to qualify for the CEWS at a potential rate of 75 percent?**

The eligibility criteria between the two programs are different. An employer needs to demonstrate a decrease in *qualifying revenue* by at least 15 percent in the month of March 2020 to qualify for CEWS (30 percent in April/May/June; a revenue decline in July/August/September/October/November). If you are experiencing a revenue decline in July onwards, consideration should be given to claiming the CEWS. In contrast, there is no *qualifying revenue* reduction test for the TWS and this program is only available for March 18 to June 19, 2020. The TWS program evaluates an eligible employer's small business deduction for a professional corporation while there is no such consideration for a self-employed physician.

**If you qualify for the TWS, you should claim it.** The TWS provides for a reduction of your applicable payroll remittance leaving more money in the employer's bank account. Once you confirm your eligibility for CEWS, you may also apply for this subsidy. Any TWS claimed must be applied to reduce the CEWS for the claim periods in which the remuneration is paid.

### **When does the TWS program begin?**

This program is active now and is retroactive with respect to remuneration paid beginning March 18, 2020.

### **How do I access the TWS program?**

Once you have calculated your subsidy, you can reduce your current payroll remittance of federal, provincial, or territorial income tax that you send to the CRA by the amount of the subsidy. Note that the subsidy amount does not apply to CPP and EI contributions.

### **Does the TWS program apply to a self-employed physician paying salaries to family members?**

Assuming the physician is an *eligible employer* a reasonable salary paid to family members may qualify. A self-employed physician cannot pay him/herself a salary from the proprietorship.

### **Does the TWS program apply to an incorporated physician paying themselves a salary? What about salaries to family members?**

Provided the professional corporation is an eligible employer who qualifies, the program could apply to both a salary paid to a physician and salaries paid to family members.

### **My corporation has a payroll program account with the CRA, however I was not on payroll prior to March 18, 2020. Can I start paying myself a salary and participate in the TWS?**

The program applies to *eligible remuneration* paid between March 18 and June 19, 2020. Please consult your accountant regarding remuneration strategies to qualify for the program.

**I have only received dividends from my professional corporation. Does the TWS program apply to an incorporated physician who did not have a payroll account open on or before March 18, 2020?**

Under the TWS program, there is a requirement to have a payroll account open on or before March 18, 2020.

**How does the TWS impact a SR&ED claim made by a professional corporation?**

A wage subsidy received by an employer would be considered government assistance and included in the employer's taxable income. Assistance received under either wage subsidy would reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

**I remit payroll for my nanny/housekeeper. Do I qualify for the TWS?**

Often, a physician or his/her partner will have a payroll account to accommodate source deductions for a nanny/housekeeper. If you have a payroll number prior to March 18, 2020, it appears you would be able to access the TWS program.

Assuming the physician is an eligible employer a salary paid to a nanny/housekeeper may qualify.

## CEBA

**While my clinic is closed, I still need to make payments for overhead payments such as rent and lease payments for equipment. Is there any assistance available?**

Yes. The government has introduced the CEBA which provides for up to a \$40,000 interest free loan until December 31, 2022. The program does require you to use the funds to pay expenses such as payroll, rent, utilities, insurance, property tax and regularly scheduled debt service and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

**If I have no revenue but need to keep key staff and would like to continue to pay them, what are my options?**

As noted above, the CEBA is available and could be used to cover payroll costs. Since the loan is partly forgivable and if you believe that you can repay 75 percent of it prior to December 31, 2022, you are essentially receiving a 25% subsidy. The CEBA loan can be "coupled" with the other wage subsidy programs: CEWS or TWS. *Please consult with your accountant to consider any risks you would be assuming by obtaining the loan.*

### **Do sole proprietors have access to the CEBA?**

*Please confirm your eligibility with your financial institution.* Initially, the CRA provided that CEBA is available to "small businesses" with a payroll account. To qualify, small businesses needed to demonstrate:

1. 2019 total payroll of \$20,000 and \$1,500,000 in total payroll in 2019 or
  2. If payroll was less than \$20,000, the business must have eligible non-deferrable expenses between \$40,000 and \$1,500,000 for 2020 and must have filed a 2018 or 2019 tax return. Eligible non-deferrable expenses include costs such as rent, property taxes, utilities and insurance. Expenses will be subject to verification and audit by the Government of Canada.
    - Other criteria includes:
      - An active business chequing/operating account at a participating financial institution by March 1, 2020 (personal accounts will not be accepted);
      - a CRA business number by March 1, 2020
- Other criteria may be required. Please consult your business' financial institution for further application requirements and application process.

### **How do I apply for the CEBA?**

The CEBA is available through your financial institution until August 31, 2020. Most financial institutions have set up online applications which are accessible now.

### **What is the tax treatment of the CEBA?**

A portion of the CEBA may be forgiven by the government if the loan is repaid by December 31, 2022. Although no specific announcements have been made to date, it is likely that the amount that is forgiven would be taxable. *Please consult your tax advisor or accountant to discuss the tax implications of the loan and any "forgiven" amount.*

Any interest that you pay on the CEBA should be deductible provided that you used it for the purposes outlined by the government.

## CERB

**What are the eligibility periods for applying for the CERB?** An eligibility period is a fixed 4-week payment period. Each period has a predetermined start and end date. Therefore, when you apply for the CERB, you receive the payment for a specific 4-week period.

The eligibility periods are:

Eligibility period	Start and end date
1	March 15, 2020 to April 11, 2020
2	April 12, 2020 to May 9, 2020
3	May 10, 2020 to June 6, 2020
4	June 7, 2020 to July 4, 2020
5	July 5, 2020 to August 1, 2020
6	August 2, 2020 to August 29, 2020
7	August 30, 2020 to September 26, 2020

### **I am an incorporated physician and had to close my clinic. Will I be eligible for the CERB?**

The CERB is available if you had more than \$5,000 of income in 2019 or in the past 12 months prior to an application. When submitting a first claim, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for 14 or more consecutive days within the four-week benefit period of your claim. When submitting subsequent claims, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for the entire four-week benefit period of your claim.

### **I am not incorporated but had to close my practice. Am I able to claim the CERB?**

Yes. Provided, the other criteria are met, the CERB is available to self-employed individuals who have stopped working due to COVID-19. When submitting a first claim, you cannot have earned more than \$1,000 self-employment income for 14 or more consecutive days within the four-week benefit period of your claim. When submitting subsequent claims, you cannot have earned more than \$1,000 in self-employment income for the entire four-week benefit period of your claim.

**What happens if I still provide virtual physician care, even for a minimal amount, and receive reduced income as a result. Would I qualify?**

Based on the current legislation, the eligibility requirements for CERB would not be met as the physician would not be considered to have "ceased" working and the physician would be earning income.

The government expanded eligibility to situations where an individual earns \$1,000 (before taxes) or less during an eligibility period. At this time, it is unclear how this administrative guidance will operate in connection with the legislated requirement to have "ceased" work.

To the extent that the physician is still working, he/she should evaluate whether the TWS or CEWS programs apply to their situation.

**I anticipate my income will be significantly reduced because of COVID-19. If I am required to track patients, cover for other physicians or see patients on an emergency basis, do I qualify for CERB?**

A physician will be eligible for the program if they have stopped working because of reasons related to Covid-19. To be eligible to collect the CERB, it depends on whether it is your first claim application or a subsequent application. When submitting your first claim, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for 14 or more consecutive days within the four-week benefit period of your claim. When submitting your subsequent claims, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for the entire four-week benefit period of your claim.

As the physician is still working, he/she should evaluate whether the TWS or CEWS programs would be more beneficial.

**I am an incorporated physician doing minimal amounts of work. If I do not pay myself a salary, can I claim the CERB?**

Currently, based on the CERB legislation, the eligibility requirements for CERB would not be met on the basis that the physician has not ceased to work.

The government expanded eligibility to situations where an individual earns \$1,000 (before taxes) or less during an eligibility period. At this time, it is unclear how this administrative guidance will operate in connection with the legislated requirement to have "ceased" work.

As the physician is still working, he/she should evaluate whether the TWS or CEWS programs would be more beneficial.

**Do cash collections in March 2020 that relate to January and February 2020 disqualify me from the CERB?**

No. Cash collections related to January and February do not impact a CERB application.

### **If I do pro-bono work, will I be able to qualify for the CERB?**

A worker will be eligible for the program if they have stopped working because of reasons related to Covid-19. To be eligible to collect the CERB, it depends on whether it is your first claim application or a subsequent application. When submitting your first claim, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for 14 or more consecutive days within the four-week benefit period of your claim. When submitting your subsequent claims, you cannot have earned more than \$1,000 in employment and/or self-employment income and/or non-eligible dividends for the entire four-week benefit period of your claim. Please consult with your Accountant.

### **Am I eligible for the CERB program if I have only received dividend income for 2019 and thus far in 2020?**

Yes, as long as the dividends are non-eligible dividends (generally, those paid out of the corporate income taxed at small business rate). A physician could count this income towards the \$5,000 income requirement to be eligible for CERB.

### **I am a specialist that operates in a partnership, am I eligible for CERB?**

A self-employed physician who is a partner of a partnership may earn self-employment income. If you had income of at least \$5,000 in 2019 or in any 12-month period prior to the application, then you could be eligible for the CERB.

If your professional corporation was a partner in the partnership, the professional corporation would not be eligible for the CERB. However, the physician who is employed by the professional corporation may qualify for CERB depending upon the physician's facts and circumstances. See the discussion under self-employed physicians and professional corporations for further commentary.

### **I am a locum physician with a professional corporation and not working due to COVID-19. Should I claim the CERB or the wage subsidies?**

Let's start with the wage subsidy programs. For a locum physician, the 10% wage subsidy program (TWS) has practical limitations. Namely the program is only accessible when paying a wage. When earning zero revenues, a wage would be funded by utilizing a professional corporation's capital (savings) or the professional corporation may have to borrow money. As a result, most locum doctors would likely evaluate the CEWS program and the CERB program because they represent additional cash "inflows".

If the CEWS avails itself to the physician's corporation, the maximum amount available is \$847 per week per employee for the first 16 weeks and \$1,129 per week per employee for the remaining 20 (possibly 24) weeks. Here are a few matters to consider:

1. Currently, the CEWS program is scheduled to last 36 weeks for a total wage subsidy of \$17,561 of pre-tax dollars (16 weeks x \$847 + [\\$4,009 as per the Department of Finance for the remaining 20 weeks](#)).
2. The physician professional corporation receiving the subsidy would be required to pay corporate taxes in respect of the subsidy received. In this example, the subsidy received is \$17,561.
3. The physician's professional corporation may have to match CPP on the wages paid at a rate of 5.25 percent. The CPP cost assumed by the professional corporation would be approximately \$922. If the locum physician as an employee of the professional corporation was on paid leave, this amount could in theory be recovered by the professional corporation as the employer.
4. Assuming a 50% marginal rate of income tax, the employee would "net" approximately \$8,781 of after-tax dollars.

The CERB provides \$2,000 per four-week period up to 24 weeks or \$12,000 in total. Assuming a 50% marginal rate of tax, the after-tax benefit would be \$6,000.

In short, the CEWS program may provide an employee with \$2,781 of additional after-tax dollars. However, the professional corporation may have to expend \$922 of CPP to achieve this result and the professional corporation would also incur more professional fees in regard to CEWS when compared to completing a CERB application. Due to the expanded CEWS program, it appears to be the more financially advantageous program when compared to the CERB should you qualify for the maximum amount for the full 36 weeks under the CEWS.

**If I employ my family as a self-employed physician or through my professional corporation, are the family members eligible for the CERB?**

Yes, provided all other criteria are met. Alternatively, you as an employer may want to evaluate the CEWS/TWS.

**What tax rate will I pay on the CERB income received?**

The CERB will be taxable at your personal marginal tax rates when received.

### **I have laid off the staff in my clinic. Are they eligible for the CERB?**

Currently, based on the CERB legislation the staff could be eligible provided they have ceased working and not received any income (employment, self-employment or EI) for 14 consecutive days in the initial four-week period in order to be eligible for the CERB.

Administratively, CRA accepts that the CERB is now available if you earned \$1,000 (before taxes) or less of employment/self-employment, non-eligible dividend income during an eligibility period. If this applies to your situation, you may be eligible to apply for a previous period, starting March 15, 2020.

Consideration should be given to accessing the CEWS program with the view to rehiring the staff.

### **I need to retain an assistant to help me with certain procedures, can my assistant claim CERB?**

Possibly. If your assistant is submitting a first claim, they cannot have earned more than \$1,000 in employment and/or self-employment income for 14 or more consecutive days within the four-week benefit period of their claim. When submitting subsequent claims, they cannot have earned more than \$1,000 in employment and/or self-employment income for the entire four-week benefit period of their claim. Consideration should be given to applying for either the TWS or CEWS to have your assistant's wages subsidized.

### **When and how can I apply?**

Applications can be completed on your CRA My Account or an online application until December 2, 2020 for the eligible periods: March 15, 2020 to September 26, 2020. [Visit their webpage for more information.](#)

### **How will I receive the benefit?**

The benefit will be direct deposited in your account if you have designated this in your CRA My Account. Alternatively, a cheque will be mailed to you.