

Ontario Medical Association

COVID-19 Federal Support Programs for Physicians Facing Hardship

Due to the rapidly changing environment, this document will be updated as new measures are announced. Please note that most, if not all announcements have not been legislated to date and are subject to change. There are also a number of unanswered questions relating to the various programs especially as it relates to physicians and professional corporations.

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Introduction

Federal Subsidy Programs Recently Announced:

1. The Canadian Emergency Wage Subsidy (“CEWS”)
2. The Temporary Wage Subsidy for Employers (“TWS”)
3. The Canadian Economic Response Benefit (“CERB”)

Application to Physicians:

Common Situations (Incorporated / Unincorporated)	Programs that could apply		
	CEWS	TWS	CERB
You have ceased all work and have experienced a 30% or greater drop in revenues	X	X	X
You are still working, but have experienced a 30% or greater drop in revenues	X	X	
You are still working and have not experienced a 30% or greater drop in revenues		X	
I have a corporation, or I run a sole proprietorship, but was not on payroll prior to March 18, 2020			X
I do not have a corporation or a payroll account			X

Act Now:

Some of the recently announced programs require additional support or account access. Consider:

- Signing up for [My Business Account](#) with the CRA.
 - See below for more information
- Signing up for [My CRA Account](#) with the CRA.
 - See below for more information
- Setting up direct deposit with the government to facilitate payments from the CRA.
- Completing your monthly financial statements → your March 31, 2020 statements should be ready as soon as possible in order to apply for CEWS (if applicable) when the online portal is open. Contact your Accountant to help facilitate this.

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1. Canadian Emergency Wage Subsidy (“CEWS”)

The CEWS provides a 75 per cent wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020.

Eligible Employers

To qualify, you must be an “Eligible Employer”. Eligible Employers include individuals, taxable corporations and partnerships consisting of eligible employers.

An eligible employer must attest to a revenue drop of at least 30 percent of their revenues. We currently understand that an employer would test their monthly revenues on a year-over-year basis for which the period began (i.e. March 2019 vs. March 2020).

Calculating Revenues

The Department of Finance provides that an employer’s revenue for this purpose would be its revenue from its business carried on in Canada earned from arm’s-length sources. Revenue would be calculated using the employer’s normal accounting method and would exclude revenues from extraordinary items and amounts on account of capital.

Amount of Subsidy

The subsidy amount for a given employee on eligible remuneration paid between March 15 and June 6, 2020 would be the greater of:

- 75 per cent of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
- the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 per cent of the employee’s pre-crisis weekly remuneration, whichever is less.

Further information is expected regarding calculation of the subsidy. **Note that a special rule will apply to employees that do not deal at arm’s length with the employer (family members).** No details on this special rule have been released yet.

How to Apply

Eligible employers would be able to apply for the CEWS through the CRA’s My Business Account portal as well as a web-based application. The application has not yet been released.

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Frequently Asked Questions:

Incorporated Physicians:

1. What is the measurement period for the 30% reduction in gross revenue?

The Department of Finance currently provides that eligibility would be determined by the change in an eligible employer's monthly gross revenues on a year over year basis for the calendar month in which the period began. Further information concerning the measurement of gross revenues is forthcoming.

What we still don't know:

How will the 30 percent decline in gross revenue be measured? Will consideration be given to issues such as bad debts?

2. My practice revenues are down over 30% but I am still collecting billings done before the COVID-19 pandemic. Is the gross revenue reduction based on when the work is performed or the collection date?

The Department of Finance suggests that gross revenues would be calculated using the normal accounting method. Typically, physicians would use an accrual-based method of accounting (i.e. revenue is recognized when the service is performed and not when the cash is collected). Therefore, it could be possible that cash collected during an eligible period will not impact your eligibility if the cash was revenue from a prior period.

3. I am an academic physician that has both academic and clinical revenue. My academic gross revenue will remain consistent, but my clinical gross revenue has reduced by over 30%. Will I qualify?

Currently, we understand that the gross revenue test will consider all sources of third-party income: (clinical, research, teaching, administration, on-call, etc.). Further guidance will be provided on this at a later date when legislation is announced.

4. What if I opened my clinic/ corporation after February 2019 and the corporation does not have comparative gross revenue information?

For eligible employers established after February 2019, eligibility would be determined by comparing monthly gross revenues to a reasonable benchmark.

What we still don't know:

Information pertaining to a reasonable benchmark has not yet been provided.

It is not yet clear how physicians who were away from work in the prior year for sabbatical, maternity or disability reasons will measure their gross revenues.

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5. Does the CEWS apply to an incorporated physician who has employees?

The CEWS is generally available if you are an eligible employer and your gross revenues drop by at least 30%.

What we still don't know:

Awaiting confirmation via legislation of whether the definition of eligible employer as defined for the TWS will be used.

6. How does the CEWS program work and do I need to make my payroll remittances in full?

You need to make your payroll remittances in full. The CRA will deposit the eligible subsidy amount in your account in the future (we believe at 6 weeks).

Consider:

Cashflow – there may be timing differences between payment to the employee, remittance of payroll deductions and receipt of the subsidy.

7. Could the CEWS apply to an incorporated physician paying themselves or family members a salary?

The Department of Finance has indicated that a special rule will apply to employees that do not deal at arm's length with the employer.

What we still don't know:

What is the special rule that will apply to incorporated physicians in the case of a family business?

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

The Department of Finance has indicated that 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.

9. Could the CEWS apply to an incorporated physician who is a member of an association?

The program's availability to a member of an association will turn on the member's facts and circumstances. Please consult with your Accountant and the Association.

10. Could the CEWS apply to an incorporated physician who is a member of partnership?

The program's availability to a member of a partnership will turn on the corporate partner's facts and circumstances. Please consult with your Accountant and the Partnership.

11. Could it apply to an incorporated physician who operates in a cost sharing arrangement?

The program's availability to a participant of a cost sharing arrangement will turn on the participant's facts and circumstances. The CEWS could apply to the employees who are jointly employed by the participants and the physicians in their capacity as employee of their professional corporation.

12. I have only received dividends from my professional corporation. Does the CEWS program apply to an incorporated physician who did not have a payroll account open on or before March 15, 2020?

Based on announcements to date, the CEWS program may not be available in this situation.

13. Will I pay tax on any CEWS paid for by the government?

Yes. Incorporated physicians in Ontario who are below the small business deduction threshold will be subject to corporate tax at 12.2%. Incorporated physicians in Ontario who are above the small business deduction threshold will be subject to tax at 26.5%.

14. When does this program begin?

It is retroactive to March 15, 2020.

15. How do you apply?

Through your CRA My Business Account or through an online web form (yet to be released). See below for information on the CRA My Business Account.

Self-Employed Physicians:

1. I am a self-employed physician with employees, would I still be able to access the program for my employees?

Self-employed proprietors could be eligible employers under the program.

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What we still don't know:

How will the 30 percent decline in gross revenue be measured? Will consideration be given to issues such as bad debts?

3. My practice revenues are down over 30% but I am still collecting billings done before the COVID-19 pandemic. Is the revenue reduction based on when the work is performed or the collection date?

The Department of Finance suggests that gross revenues would be calculated using the normal accounting method. Typically, physicians would use an accrual-based method of accounting (i.e. revenue is recognized when the service is performed and not when the cash is collected). Therefore, it could be possible that cash collected during an eligible period will not impact your eligibility if the cash was revenue from a prior period.

4. I am an academic physician that has both academic and clinical revenue. My academic revenue will remain consistent, but my clinical revenue has reduced by over 30%. Will I qualify?

Currently, we understand that the gross revenue test will consider all sources of third-party income: (clinical, research, teaching, administration, on-call, etc.). Further guidance will be provided on this later when legislation is announced.

5. What if I opened my clinic after February 2019 and do not have comparative revenue information?

For eligible employers established after February 2019, eligibility would be determined by comparing monthly gross revenues to a reasonable benchmark.

What we still don't know:

Information pertaining to a reasonable benchmark has not yet been provided.

It is not yet clear how physicians who were away from work in the prior year for sabbatical, maternity or disability reasons will measure their gross revenues.

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6. Could the CEWS apply to a self-employed physician who is a member of an association?

The program's availability to a member of an Association will turn on the member's facts and circumstances. Please consult with your Accountant and the Association.

7. Could the CEWS apply to self-employed physician who is a member of partnership?

Only to the extent the individual member is an eligible employer. Please consult your Accountant and the Partnership's Accountant.

What we still don't know:

[How is gross revenue of a partner measured in a partnership context?](#)

8. Could it apply to self-employed physician who operates in a cost sharing arrangement?

The program's availability to a participant of a cost sharing arrangement will turn on the participant's facts and circumstances. The CEWS could apply to the employees who are jointly employed by the participants and the physicians in their capacity as employee of their proprietorship.

9. When does this program begin?

It is retroactive to March 15, 2020.

10. Will I pay tax on any CEWS paid for by the government?

Yes. You will pay tax at your personal marginal tax rate.

11. How do you apply?

Through your CRA My Business Account or through an online web form (yet to be released). See below for information on the CRA My Business Account.

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2. 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% 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 Canada Revenue Agency (“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 medicine 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.

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Frequently Asked Questions:

1. How does the TWS differ from the CEWS? Why would I apply for TWS if I am only subsidized at a rate of a 10% vs. 75%?

The eligibility criteria between the two programs is different. We currently know that an employer needs to demonstrate a decrease in gross revenue by at least 30 percent to qualify for CEWS. In contrast, there is no gross revenue reduction test for TWS. The TWS program evaluates an eligible employers' small business deduction. At this point, further clarification regarding this matter is outstanding. Under the CEWS program, we are awaiting legislative details for eligibility.

2. When does this program begin?

It is retroactive to March 18, 2020.

3. Do I need to apply for the TWS?

No, you do not need to apply for the subsidy.

4. If I do not need to apply for the TWS, how do I access the 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.

5. Are there any other government programs that may assist me with paying my employees?

The government has a Work-Sharing Program to help employers avoid layoffs when there is a temporary decrease in business. The benefit of the program to employers is that they can reduce their wages with the reduced business activity. The benefit to employees is that they get to keep their jobs, continue to work, and collect partial EI benefits. Under the program, employees, employers and Service Canada must agree to participate in the program and therefore it requires an application to Service Canada. Please contact your employment lawyer and/or accountant for assistance with this program.

Incorporated Physicians:

6. 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.

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7. Could the TWS apply to an incorporated physician who is a member of an Association?

The eligibility will be dependent upon the facts and circumstances of each member. Please consult with your Accountant and the Association.

8. Could the TWS apply to an incorporated physician who is a member of a partnership?

The eligibility will be dependent upon the facts and circumstances of each member. Please consult with your Accountant and the Partnership.

9. Could the TWS apply to an incorporated physician who operates in a cost sharing arrangement?

There are two possible ways to apply for the TWS in a cost sharing arrangement. One relates to the employees who are jointly employed in the cost sharing arrangement. The other relates to the professional corporation's payroll account which would include the physician in his/her capacity as employee and the physician's family members if applicable.

The TWS could be applicable to both the employees in the cost sharing arrangement as well as the professional corporation.

10. 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.

11. 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.

Self-Employed Physicians:

12. 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.

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13. Could the TWS apply to a self-employed physician who is a member of an Association?

The eligibility will be dependent upon the facts and circumstances of each member. Please consult with your Accountant and the Association.

14. Could the TWS apply to a self-employed physician who is a member of partnership?

The eligibility will be dependent upon the facts and circumstances of each member. Please consult with your Accountant and the Partnership.

15. Could the TWS apply to a self-employed physician who operates in a cost sharing arrangement?

There are two possible ways to apply for the TWS in a cost sharing arrangement. One relates to the employees who are jointly employed in the cost sharing arrangement. The other relates to the self-employed physician's payroll account which would include the physician's family members and/or other staff who work in the practice.

3. Canada Emergency Response Benefit (“CERB”)

The CERB is a support program for workers who have lost income due to reasons related to COVID-19. It provides a payment of \$2,000 for a 4-week period (equivalent to \$500 a week) for up to 16 weeks. The amount of the support payment is subject to change by government regulation. 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. We currently understand that there will be no tax withheld on the payment. As a result, the recipient may 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 or self-employment in either 2019 or in the 12 months immediately preceding their application.

A worker will be eligible for the program if work 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 they do not receive income in respect of the consecutive days they ceased work. 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 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 starting April 2020.

[Frequently Asked Questions:](#)

Incorporated and Self-Employed Physicians

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

The eligibility requirements for CERB would not be met. In this situation, the physician would not be considered to have “ceased” working and they would be earning income.

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2. What happens if I am required to see a patient on an emergency basis and I receive income as a result. Would I qualify?

No. The eligibility requirements for CERB would not be met on the basis that the physician has not ceased to work.

3. I am an incorporated physician. Currently I am doing minimal virtual patient consults or emergency work, and the income is earned through my professional corporation. If I do not pay myself a salary, can I claim the CERB?

No. The eligibility requirements for CERB would not be met on the basis that the physician has not ceased to work. Failure to pay a salary does not in itself qualify a worker for the CERB.

4. If I have billings that are coming in this month from work performed in previous months, will that disqualify me from the CERB?

Prior period billings from February, for example, if collected in March would not disqualify a physician from the CERB program.

5. If I do the work pro-bono, and therefore have no income related to the work, will I be able to qualify for the CERB?

No. The eligibility requirements for CERB would not be met on the basis that the physician has not ceased to work.

6. I have only received dividend income from my corporation in 2019 and to date in 2020. Can I receive the CERB?

A requirement under the CERB program is that you have at least \$5,000 of income (employed or self employed for example) in any 12-month period preceding the day on which you make an application.

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

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

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

Possibly. If your assistant has not worked for 14 consecutive days and has not received income (employment, self employment or EI), the CERB could be applicable. However, there could be a strong disincentive for your assistant to work for a few hours because it may disqualify his/her ability

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to claim the CERB. Practically, it could make better sense to have your assistant's wage subsidized under the TWS or CEWS.

9. When can I apply?

The Government of Canada is targeting a date of April 6, 2020 as a date they can start accepting applications.

10. How can I apply?

Applications will be completed through your CRA's MyAccount or an online application form (yet to be released). See below for details on CRA's My Account.

11. How will I receive the income?

The income will be direct deposited in your account in most cases. If you do not have direct deposit it is assumed cheques will be mailed.

New Income Tax Deadlines

1. What tax return filing deadlines have been extended?

The filing deadline for 2019 personal tax returns that are normally due April 30 has been extended to June 1, 2020. The filing deadline for self-employed individuals and their spouses remains at June 15, 2020.

Corporate income tax returns that would otherwise be due after March 18 and before June 1, 2020 are now due on June 1, 2020.

Trust tax returns with December 31, 2019 year-ends are now due on May 1, 2020. Trust Tax Returns with a filing due date in April or May are now due on June 1, 2020.

The following website from the Government of Canada communicates the most recent filing deadlines: click [here](#).

2. What are the tax payment deadline extensions?

Income tax payments for individuals for their 2019 personal tax returns are now due on September 1, 2020. The June 15, 2020 personal tax installment deadline date is also extended until September 1, 2020. These deadline extensions apply to self-employed individuals as well.

Corporate income tax payments, including balances due and installments, that are due under Part 1 of Income Tax Act (including regular corporate income tax) between March 18 and August 31, 2020 are now due September 1, 2020.

Trust income tax return payments, including balances due and installments, that are due after March 18 and before September 1, 2020 are now due by September 1, 2020.

HST amounts owing are deferred until June 30, 2020. Note however that the deadline for filing HST returns has not yet been extended.

There have been **no** extensions for payroll remittances to CRA.

Business Credit Availability Program (BCAP):

A) Canada Emergency Business Account

1. What is the new Canada Emergency Business Account?

The Canada Emergency Business Account provides interest-free loans of up to \$40,000 to small businesses and not for profit organizations. To qualify, both small businesses and not for profit organizations will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019. Details on the program are forthcoming.

Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

2. My professional corporation has payroll between the amounts noted above. Will I qualify as a small business?

Small business is not currently defined. It could be possible for a professional corporation to qualify.

3. I am a self-employed physician without a corporation. Can I qualify?

Assuming you meet requirements noted above and have a business banking account you should qualify.

4. I do not have payroll in 2019 above \$50,000. Can I qualify?

No.

5. How do I apply?

Small businesses and not for profits should contact their financial institution to apply for these loans.

For more information on the Canada Emergency Business Account click [here](#).

B) Loan Guarantee for Small and Medium Sized Enterprises (“SMEs”)

Export Development Canada (EDC) is working with financial institutions to issue new operating credit and cash flow term loans to SMEs. For more information click [here](#).

C) Co-Lending Program (Business Development Canada)

The BDC is working with financial institutions to co-lend term loans to SMEs for their working capital requirements.

The working capital loans are for between \$100,000 and \$2 million with flexible terms. They will require general security agreements and personal guarantees. For more information click [here](#).

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CRA My Business Account

Sign up for CRA My Business and CRA My Accounts now to be ready to apply and receive the benefits described above (if applicable) as soon as the possible.

CRA My Business Account

This is where you can access information related to your corporate tax, payroll, GST/HST and other program accounts related to your business. If you do not know your business information number as issued by the CRA, please contact your Accountant.

Who should have this:

- Any physician with a corporation
- A sole proprietor with a payroll and GST/HST account.

On CRA's website: "[CRA My Business Account](#)" and click register. You will require various personal and corporate information.

CRA My Account

This is where you can access information related to your personal tax filing and other personal CRA benefits. Sign-up is driven by your SIN.

Who should have this:

All tax filers

On CRA's website: "[CRA My Account for Individuals](#)" and click register. You will require various personal information and prior year personal tax information.

Disclaimer:

This document is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. The information provided is based on information that is currently available as of the last update noted below and is subject to continual change, and at times on a retroactive basis. Before taking any particular course of action, contact your advisor to discuss these matters in the context of your particular situation.

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