



## CASH FLOW STRATEGIES AND COVID-19 ASSISTANCE

The forest industry, like many others, is having to balance the safety of their employees and families with the struggle of maintaining their businesses through the COVID-19 pandemic. From reducing on-site teams, curtailing processing operations, to holding virtual meetings, the industry has evolved to meet the new reality.

However, external pressures continue. Sales of timber and lumber to export markets hit hard by COVID-19 have slowed to a trickle and new harvest plans are delayed due to the slow down in the supply chain. Financial institutions are bracing for a rise in defaults and many suggest lending rates may increase rather than decrease as a result of COVID-19.

Now is the time to adjust your business strategies going forward in ways that will meet your customers' needs, keep your employees safe and help preserve your business. The following are practical steps you can take and programs you can access to help position yourself to emerge and recover from this crisis.

### Stretch cash flow

A full understanding of your cash flow situation is critical to determine the funding needs of your business.

Reassess your vendor and customer engagement strategies to identify which customers and vendors are critical ac-

counts. Specific procedures can then be created to deal with strategic versus non-strategic partners to optimize payment schedules.

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To further free up cash flow, consult with your tax advisors on the need to pay corporate income tax instalments for the balance of the year, given income and profitability is projected to be significantly lower than 2019. The federal government has announced many programs allowing payment deferral of corporate income taxes, corporate income tax instalments and GST/HST payments.

These deferral mechanisms may help with resolving temporary cash flow needs of business owners. However, be aware the debt is still owed at the end of the day.

To further help with temporary cash flow needs, the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) have launched new small- and medium-sized enterprise loan and guarantee programs that will provide up to \$40 billion in additional lending. The programs are as follows:

- The federal Canada Emergency Business Account (CEBA) guarantees interest-free loans up to \$40,000 for small businesses to

help cover operating costs during a period where revenues have been temporarily reduced. To be eligible for this program, businesses need to demonstrate they paid between \$20,000 and \$1.5 million in total payroll in 2019. If the loan is repaid by December 31, 2022, up to 25 per cent of the loan may be forgiven, to a maximum of \$10,000. Application for the CEBA is made through financial institutions.

- A new program partners the BDC with financial institutions to co-lend term loans to small- and medium-sized businesses for their operational cash flow requirements. Eligible businesses may obtain incremental credit amounts up to \$6.25 million, with the BDC providing 80 per cent and the financial institution providing the remaining 20 per cent.
- As part of a new domestic mandate enhancing their role in supporting Canadian businesses through the COVID-19 crisis, the EDC will provide guarantees to financial institutions issuing new operating credit and cash flow term loans of up to \$6.25 million to small- and medium-sized businesses. These loans will be 80 per cent guaranteed by EDC and are to be repaid within one year.



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## Preserve your workforce

Businesses need to stay focused on profitability and revenue targets; considering alternative ways to optimize performance in the short term can help meet new goals.

Reassess your labour requirements and staffing levels. The following federal programs provide emergency aid to support businesses and may help retain your workforce—make sure to meet their deadlines to qualify:

- The Canada Emergency Wage Subsidy (CEWS) provides eligible entities with a subsidy of 75 per cent of employee wages for a 12-week period, from March 15 to June 6.
- The subsidy is payable on the first \$58,700 normally earned by an eligible employee, representing a benefit of up to \$847 per week.
- Eligible entities would include employers of all sizes and across all sectors of the economy; however, public sector entities are specifically excluded from the subsidy.
- Eligible entities must demonstrate a decline in revenues of at least 15 per cent in March 2020 and 30 per cent in April or May 2020, when compared to the same month in 2019; alternatively, employers may compare revenue using an average of revenue earned in January and February 2020, provided they had a payroll number on March 15, 2020.
- Eligible entities can elect to calculate revenue using either the accrual method or cash method; however, the same method must be used for all periods.
- An eligible employee is an individual employed in Canada by an eligible entity, who has not been without remuneration for 14 or more consecutive days in the qualifying period.
- Eligible employers may access the CEWS by applying online through the Canada Revenue Agency (CRA) *My Business Account* or the new application portal. Entities may also have their accountant apply on their behalf through the CRA *Represent a Client*.
- The deadline to apply for the CEWS is September 30, 2020. See your accountant for assistance in the application process.
- The Temporary Wage Subsidy for Employers is also available to businesses; however, any amounts eligible to be received under this program will reduce the amount that can be claimed under the CEWS. This subsidy is equal to 10 per cent of remuneration paid from March 18 to June 20, 2020, up to a maximum of \$1,375 per employee and \$25,000 per employer.

In addition, contractors who must temporarily layoff staff due to the COVID-19 impact on their business may refer their employees to other programs for financial assistance. The Canada Emergency Response Benefit (CERB) is a support program for individuals who have stopped working due to reasons related to COVID-19.

The CERB is a temporary program providing \$500 per week for a maximum of 16 weeks. Applications can be made through the CRA, online or by telephone. Payments received under the CERB will be included in the recipient's taxable income.▲

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