

Canada Emergency Rent Subsidy (CERS)

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Tax News

The Canada Emergency Rent Subsidy (CERS) is a program that is similar to the one offered under the Canada Emergency Wage Subsidy (CEWS). It allows eligible entities that have experienced a drop in revenue to receive assistance with respect to expenses incurred in connection with leasing or owning property in connection with their activities.¹

NEW! The April 19, 2021 federal budget announced the extension of the CERS to September 25, 2021, that is, four additional periods. The CERS will be phased out as of July 4, 2021.

The online calculator, which is available on the CERS portal, can be used to estimate the subsidy amount. Applications for the period of March 14, to April 10, 2021 can now be submitted.

Following is an overview of the program based on information available to date.

CALCULATING THE SUBSIDY

The CERS provides a two-part subsidy, calculated on the eligible expenditures incurred by qualifying renters who have experienced a drop in their revenue for an eligibility period. The base portion covers up to 65% of eligible expenses. Additional assistance of 25% is offered to qualifying renters who were required to temporarily cease their activities in a given location, due to public health restrictions. As such, the total subsidy can be up to 90% for the most affected entities, subject to applicable expense ceilings and eligibility periods.

Base Subsidy

The CERS base rate is determined based on the level of the drop in revenue experienced² by the qualifying renter for the given period. Qualifying renters can benefit from a base CERS at the maximum rate if their drop in revenue for the period is 70% and more. The following table presents the maximum rate for each eligibility period.

Eligibility period	Maximum base CERS rate
September 27, 2020 to July 3, 2021 (P1 to P10)	65%
July 4 to July 31, 2021 (P11)	60%
August 1 to August 28, 2021 (P12)	40%
August 29 to September 25, 2021 (P13)	20%

This rate is gradually reduced when the drop in revenue is less than 70% for the given period. Appendix 1 presents the detailed structure of the base rates.

NEW! As of July 4, 2021 (P11 and following), only qualifying renters with a drop in revenue of more than 10% will qualify for the CERS.

Top-Up Subsidy: lockdown support

Qualifying renters who qualify for the base CERS can benefit from a top-up CERS, i.e. a lockdown support, if they are required, by reason of a public health restriction covering at least one week, to:

- completely shut down an eligible location; or
- cease some or all of their activities at an eligible location and it is reasonable to conclude that, during the previous reference period, the discontinued activities represent at least approximately 25% of the renter's revenue at that location.

NEW! CLARIFICATION FOR PERIODS 11 AND FOLLOWING

The lockdown support is only available for applicants who qualify for the base CERS, therefore, the drop in revenue must be more than 10% as of July 4, 2021, that is for periods 11 and following.

The lockdown support is calculated at a fixed rate of 25% and applies separately for each location. If the public health restrictions require

¹ The CERS is paid directly to eligible property owners and renters. In the latter case, owners of rental properties are not required to participate in the program. In this Tax News "qualifying renter" means renters and owners of an eligible location for CERS purposes.

² Essentially, the CERS eligibility criteria are harmonized with those of the CEWS. Some elections (for example, using consolidated financial statements) impact the drop in revenue calculation for purposes of both subsidies (CERS and CEWS) for

a given period. For more information on the CEWS, including the eligible drop in revenue calculation terms, consult the most recent version of Tax [News 954 – Wage Subsidy for Employers](#).

qualifying renters to cease activities for only a part of the eligibility period, the top-up calculation is pro rated as follows:

$$25\% \times \frac{\text{Number of days in the period in which the location is subject to public health restrictions}}{\text{Number of days in the period}}$$

Public health restriction

A public health restriction means a decree or order issued by an authorized government authority³ requiring the entity⁴ to cease, some or all of its activities taking place at the qualifying location as a result of COVID-19, to the extent that:

- the order is limited in scope based on one or more factors such as a geographical location, activity sector or a particular risk associated with a type of business or activity;
- failure to comply with the order constitutes a federal or provincial offence or may result in a penalty (monetary or otherwise) imposed by a federal or provincial body.⁵

CLARIFICATION! An order that restricts or reduces activities but doesn't require to close a location or stop certain activities does not qualify for lockdown support. Accordingly, travel restrictions, restrictions that reduce the number clients (physical distancing strategies), rules about when regular activities can be performed (restricted hours of operation) do not qualify for lockdown support.

However, a restaurant that is required to close its dining room may be eligible for the lockdown support if it meets the other conditions, even if it maintains delivery service during the lockdown.

ELIGIBILITY CONDITIONS

Eligible entities

Entities that qualify for the CERS are the same as those qualifying for the CEWS program, that is, essentially the following entities, other than an excluded public institution:⁶

- Taxable corporations and trusts;
- An individual;
- A partnership where at least 50% of the interest is owned directly or indirectly by eligible entities;
- An RC or NPO;⁷
- Certain Indigenous government-owned corporations and entities that are carrying on a business;

³ That is, a public health order issued under the laws of Canada, a province or territory, including orders made by a municipality or regional health authority under one of those laws.

⁴ A property owner who rents an eligible premise to a renter that is not at arm's length will be eligible for the lockdown support if the renter that carries on a business in the eligible property is subject to the public health restriction.

⁵ The closure order must not, however, result from the violation of an otherwise valid health order.

⁶ To find out more about eligible entities, consult the most recent version of [Tax News 954—Wage Subsidies for Employers](#).

⁷ Including, among others, labour organizations, registered Canadian amateur athletic associations and registered journalistic organizations.

- Private colleges and schools, including institutions that offer specialized services, such as arts schools, driving schools, language schools or flight schools.

Active account with the CRA

To be eligible for the CERS, the eligible entity must meet one of the following criteria:

- Have a Payroll Deductions (RP) account with the Canada Revenue Agency (CRA) as of March 15, 2020, or have used the services of a payroll service provider as of that date;
- Have a Business Number (BN) as of September 27, 2020.

NEW! CLARIFICATION ON THE PURCHASE OF A BUSINESS

An eligible entity that acquired all or substantially all (90% and more) of the assets of a seller during or before a claim period may be eligible for the CERS if the seller satisfied the condition of having an open payroll program (RP) account and has made an election in this respect.⁸

ELIGIBLE EXPENSES AND CEILING

The CERS is calculated on eligible expenses paid for a given qualifying period in respect of an eligible location, up to the applicable ceilings.

Eligible expenses must meet the following conditions:

- Be related to a property located in Canada;
- Be paid to a person dealing at arm's length;
- Be incurred pursuant to a written agreement entered into before October 9, 2020;⁹
- Not be incurred in relation to a residential building¹⁰ or a building that is used primarily to earn rental income from a person dealing at arm's length.

Eligible expenses for a given period are those payable with respect to this period; the amount does not have to be actually paid during the given period or have been paid when the claim is submitted. Amounts due (payable) for a given period are eligible for the CERS if the claimant confirms its intention to pay them within 60 days of receiving the CERS payment for the period in question and if they are actually paid within that period.

Eligible expense ceiling

A \$75,000 eligible expense ceiling applies for each qualifying period, in respect of each eligible location (place of business).

Furthermore, for each qualifying period, an overall ceiling of \$300,000, to be shared among affiliated entities,¹¹ applies for the purposes of the

⁸ For more details on this requirement, consult the most recent version of [Tax News 954—Wage Subsidies for Employers](#).

⁹ Payments may also result from the renewal (on substantially similar terms) or assignment of a written agreement entered into before October 9, 2020.

¹⁰ Expenses relating to an individual's main or secondary residence (e.g., a cottage) are not eligible for the CERS.

¹¹ The concept of affiliated persons is more restrictive than that of related or associated persons. Briefly, an individual is affiliated with him/herself and his/her spouse. A corporation is affiliated with the person that controls it and with that person's spouse and any corporation controlled by one of these individuals or a group of affiliated persons. A corporation may also be affiliated with a partnership if it is controlled by the latter. To this end, if two entities are affiliated with the same third entity, they are deemed affiliated amongst themselves.

base CERS.¹² The top-up CERS is not covered by this overall \$300,000 ceiling.

The following table indicates the maximum amount that can be claimed, for a given period, under the base and top-up CERS, according to the applicable eligible expense ceilings and rates.

Eligibility period	Maximum CERS		
	Base subsidy		Top-up subsidy
	Location (business place)	Entity (including affiliates)	Location (business place)
September 27, 2020 to July 3, 2021 (P1 to P10)	\$48,750	\$195,000	\$18,750
July 4 to July 31, 2021 (P11)	\$45,000	\$180,000	
August 1 to August 28, 2021 (P12)	\$30,000	\$120,000	
August 29 to September 25, 2021 (P13)	\$15,000	\$60,000	

Example – Eligible expense ceiling¹³

MovieCastle Group is a chain of six cinemas. MovieCastle Group fully owns each cinema, which are all incorporated separately. In September, revenues were down 70%, and in October, revenues were down over 80%. MovieCastle Group and its companies incurred rent costs of \$600,000 in respect of the period.

MovieCastle Group could benefit from a base CERS at a rate of 65% on a maximum of \$300,000 of rent expenses per period. For each location, only the first \$75,000 of rent expenses is eligible for the subsidy. If the six members decide to divide the maximum \$300,000 for the group equally amongst the group; each therefore can claim \$50,000 in eligible expenses. The group's total base CERS will be \$195,000 (i.e. 65% of \$300,000).

If one or more of a group's locations is subject to sanitary restrictions that require it to stop or significantly reduce its activities for at least one week in a given period, each location subject to such a restriction would be entitled to lockdown support, up to a maximum of \$18,750 per period per location.

Eligible expenses of a renter

Eligible expenses include rent expenses for using or for the right to use the eligible commercial location, including:¹⁴

- gross rent;
- rent based on a percentage of sales, profit or similar criteria;
- amounts payable under a net rent lease as minimum rent, regular payments of operating expenses,¹⁵ property taxes, school and municipal taxes and other similar taxes.¹⁶

Eligible expenses must be reduced by any amount reimbursed or refundable to the renter, directly or indirectly by a person dealing at arm's length, including, but not limited to, amounts received by the renter in respect of the sublease of the particular location.

The following expenses **do not qualify** as a commercial rent expense:

- Sales taxes;
- Amounts paid as damages, guarantees and amounts resulting from a default under an agreement;
- Interests and penalties on unpaid amounts;
- Fees payable on discrete items or special services;
- Reconciliation adjustment payments.

EXPENSES UNDER A NET LEASE

In order for an amount paid under a net lease to be considered an eligible rent expense, the lease must require payment; it is not enough for the lease to state that a renter is responsible for a certain cost to make the expense an eligible expense.¹⁷ It is therefore essential to refer to the commercial lease terms to determine if the lease is a net lease, and, if so, what expenses are eligible for the CERS are under the terms of the lease.¹⁸

Example: *Under a net lease, a shopping centre owner provides heating, air conditioning, ventilation, electricity and water to the renters and pays property taxes and insurance for the shopping centre (hereafter "property expenses"). The lease states that the owner does not provide phone or internet services and the renter is responsible for these expenses. Under the lease, each month, the renter is required to pay a base rent and its pro rata share of the property expenses. The owner determines these expenses each month and bills the renter. The base rent and the amount payable as property expenses are eligible rent expenses for the CERS but the amounts paid for telephone and internet services are not.*

¹² This overall ceiling applies to both an affiliated group and a qualifying renter with several eligible locations. Such a renter could therefore claim a base CERS on maximum expenses of \$75,000 per location up to a total amount of \$300,000 in eligible expenses for a given period. If the renter is part of an affiliated group, the \$300,000 ceiling must be allocated among the group entities.

¹³ Example taken from the [CERS information document published by Finance Canada](#) on November 5, 2020. For an example of how to take into account the base CERS and top-up CERS, see the document [Lockdown Support for Businesses Facing Significant Public Health Restrictions](#) published on November 5, 2020.

¹⁴ Certain amounts received by the owner under the CECRA program in respect of the given eligibility period may be considered an eligible expense if they would otherwise have to be reimbursed to the renter.

¹⁵ Including insurance, utilities, and common area maintenance fees customarily charged to the renter under a net lease, as well as regular instalments of other amounts payable to the lessor for services ancillary to the rental of real property that are customarily supplied or rendered in connection with the rental of such property.

¹⁶ Eligible expenses under a net lease may be payable to the owner or a third party, depending on the terms of the lease.

¹⁷ CRA, Technical Interpretation 2020-0873491E5 (February 23, 2021),

¹⁸ The existence of a net lease is a blended question of fact and law. In case of doubt, it is recommended to consult an expert. If it is not a net lease, only the gross rent expense is eligible for the CERS.

Eligible expenses of a property owner

Expenses paid in respect of a location owned by a qualifying renter may qualify for the CERS to the extent that the building is not used primarily (50% or more) to earn rental income from a person dealing at arm's length.¹⁹

If an owner leases commercial premises to an entity with which it does not deal at arm's length and that entity uses the premises to earn business income, the owner of the building will be allowed to claim the CERS on its eligible expenses, to the extent that its drop in revenue allows it to qualify as such.²⁰ The renting entity will not be allowed to claim the CERS for its commercial rent expenses; as these expenses are paid to an entity with which it does not deal at arm's length, they do not qualify as eligible expenses for the purposes of the CERS.

Eligible expenses for the CERS as the owner of a location include:

- mortgage interest, as long as it does not exceed the interest that would be calculated on the lesser of the following amounts:
 - the lowest total principal amount secured by a mortgage on the property at any time after it was acquired;²¹
 - the cost amount of the property;²²
- amounts paid for insurance on the property;
- property, school and municipal taxes and other similar taxes paid on the property.

ELIGIBILITY PERIODS AND DROP IN REVENUE

Like the CEWS, the CERS is payable on a monthly basis (eligibility period) and the rate for each period is based on the drop in revenue for a reference month, according to the following table:

Eligibility period ²³	Reference month
■ September 27 to October 24, 2020 (P1)	October 2020
■ October 25 to November 21, 2020 (P2)	November 2020
■ November 22 to December 19, 2020 (P3)	December 2020
■ December 20, 2020 to January 16, 2021 (P4)	December 2020
■ January 17 to February 13, 2021 (P5)	January 2021
■ February 14 to March 13, 2021 (P6)	February 2021
■ March 14 to April 10, 2021 (P7)	March 2021
■ April 11 to May 8, 2021 (P8)	April 2021
■ May 9 to June 5, 2021 (P9)	May 2021
■ June 6 to July 3, 2021 (P10)	June 2021
■ July 4 to July 31, 2021 (P11)	July 2021
■ August 1 to August 28, 2021 (P12)	August 2021
■ August 29 to September 25, 2021 (P13)	September 2021

¹⁹ If the property is used primarily to earn rental income directly or indirectly from a person with whom the owner does not deal at arm's length, that person (renter) must use the property primarily to earn income other than rental income.

²⁰ Certain elections make it possible to establish the drop in revenue on a consolidated basis within a group or to consider income from a non-arm's length entity for that purpose. For more details about these elections, consult the most recent version of [Tax News 954 – Wage Subsidies for Employers](#).

²¹ Excluding any temporary period between the release of an existing mortgage and the registration of a new mortgage at the time of a refinancing operation.

²² The cost amount of land is its adjusted cost base and the cost amount of a building is essentially its undepreciated capital cost (UCC).

Determining the drop in revenue for the purposes of the CERS is calculated based on the rules applicable to the CEWS. As such, the drop in revenue for a period is determined by comparing revenue of a reference month in the current year with that of the same month in the previous year.²⁴ or with the average revenue of January and February 2020. The approach must be the same as the one selected for CEWS purposes and must be maintained for all CERS periods. Finally, for each period, the drop in revenue will be equal to that calculated for the previous month, if it is greater.²⁵

Eligible revenue for the purposes of applying the drop in revenue test criterion is the same as that used to calculate the CEWS. Essentially, it is income derived from the entity's normal activities in Canada from independent sources, determined using its normal method of accounting, taking into account the various elections made by the entity for this purpose (election to compute income on a cash or accrual basis, election to use consolidated financial statements within an affiliated group of companies, etc.).²⁶

CERS CLAIMS

Qualifying renters can submit a claim online using the CRA's [My Business Account](#) portal or [Represent a Client](#) service.²⁷

The individual who has principal responsibility for the claimant's financial activities must attest that the application is complete and accurate in all material respects. That individual must also certify that the entity intends to pay the expenses in the claim within 60 days of receiving the CERS for that period.

Claims for a given eligibility period may be submitted after the end of the period in question, but they must be submitted in the 180 days after the end of that period. The table in Appendix 2 provides the deadline for each period.

Taxpayers must make every effort to submit or change a claim before the applicable deadline, but in some circumstances, the CRA may authorize a late (initial or changed) claim. An authorization request must be submitted to the CRA no more than 30 days after the end of the applicable deadline for the application period.²⁸

TAXABLE GOVERNMENT ASSISTANCE

The CERS is taxable government assistance. It is deemed to be received immediately before the end of the period to which it relates. It is therefore taxable in the taxation year that includes the last day of the claim period rather than when it is actually received.

Do not hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine which measures apply to your situation and assist you with the steps needed to benefit from these measures. Do not hesitate to contact us.

For more information, visit us at rcgt.com.

²³ These periods correspond to periods 8 to 20 of the CEWS program.

²⁴ For periods 7 and following, that is, periods from March 14 to September 25, 2021, the comparison is based on income for the same month in 2019.

²⁵ The table in Appendix 2 illustrates the reference periods that can be used to determine the drop in revenue for CERS purposes.

²⁶ To find out more about calculating the eligible income for the CEWS and the various options offered in this regard, consult the most recent version of [Tax News 954 – Wage Subsidies for Employers](#).

²⁷ For additional information, go to the [CERS portal](#).

²⁸ Applications for a cancellation or reduction may be submitted at any time after the applicable deadline. For details, consult the [CERS portal](#).

Appendix 1 — Base CERS Rate According to the Drop in Revenue Percentage

This table presents the base CERS rate structure which varies according to the drop in revenue and the eligibility period.

Eligibility period	Base CERS rate according to the drop in revenue %			
	70% and +	50% to less than 70%	More than 10% to less than 50%	0% to 10%
September 27, 2020 to July 3, 2021 (P1 to P10)	65%	$40\% + [1.25 \times (\text{drop in revenue \%} - 50\%)]$	$0.8 \times \text{drop in revenue \%}$	$0.8 \times \text{drop in revenue \%}$
July 4 to July 31, 2021 (P11)	60%	$35\% + [1.25 \times (\text{drop in revenue \%} - 50\%)]$	$0.875 \times (\text{drop in revenue \%} - 10\%)$	0%
August 1 to August 28, 2021 (P12)	40%	$25\% + [0.75 \times (\text{drop in revenue \%} - 50\%)]$	$0.625 \times (\text{drop in revenue \%} - 10\%)$	0%
August 29 to September 25, 2021 (P13)	20%	$10\% + [0.50 \times (\text{drop in revenue \%} - 50\%)]$	$0.250 \times (\text{drop in revenue \%} - 10\%)$	0%

Example – Base CERS calculation

This table presents the base CERS rate for which a qualifying renter could be eligible, for each eligibility period, according to a 60% or a 30% drop in revenue.

Eligibility period	Base CERS rate	
	If 60% drop in revenue	If 30% drop in revenue
September 27, 2020 to July 3, 2021 (P1 to P10)	52.5% $40\% + [1.25 \times (60\% - 50\%)]$	24% $0.8 \times 30\%$
July 4 to July 31, 2021 (P11)	47.5% $35\% + [1.25 \times (60\% - 50\%)]$	17.5% $0.875 \times (30\% - 10\%)$
August 1 to August 28, 2021 (P12)	32.5% $25\% + [0.75 \times (60\% - 50\%)]$	12.5% $0.625 \times (30\% - 10\%)$
August 29 to September 25, 2021 (P13)	15.0% $10\% + [0.50 \times (60\% - 50\%)]$	5% $0.250 \times (30\% - 10\%)$

Appendix 2 — CERS Reference periods²⁹ and deadlines to submit or modify a claim

This table summarizes the reference periods used to determine the drop in revenue for each claim period, taking into account the deeming rule that makes it possible to use the previous month's drop in revenue if it is higher. It also shows the deadline to submit or modify a claim for each eligibility period.

Period	Eligibility period	Reference period		Deadline to submit a claim
		General approach	Alternative approach	
Period 1 (CEWS P8)	September 27 to October 24, 2020	<ul style="list-style-type: none"> ▪ October 2020 over October 2019 or ▪ September 2020 over September 2019 	<ul style="list-style-type: none"> ▪ October 2020 or September 2020 over average of January and February 2020 	April 22, 2021
Period 2 (CEWS P9)	October 25 to November 21, 2020	<ul style="list-style-type: none"> ▪ November 2020 over November 2019 or ▪ October 2020 over October 2019 	<ul style="list-style-type: none"> ▪ November 2020 or October 2020 over average of January and February 2020 	May 20, 2021
Period 3 (CEWS P10)	November 22 to December 19, 2020	<ul style="list-style-type: none"> ▪ December 2020 over December 2019 or ▪ November 2020 over November 2019 	<ul style="list-style-type: none"> ▪ December 2020 or November 2020 over average of January and February 2020 	June 17, 2021
Period 4 (CEWS P11)	December 20, 2020 to January 16, 2021	<ul style="list-style-type: none"> ▪ December 2020 over December 2019 or ▪ November 2020 over November 2019 	<ul style="list-style-type: none"> ▪ December 2020 or November 2020 over average of January and February 2020 	July 15, 2021
Period 5 (CEWS P12)	January 17 to February 13, 2021	<ul style="list-style-type: none"> ▪ January 2021 over January 2020 or ▪ December 2020 over December 2019 	<ul style="list-style-type: none"> ▪ January 2021 or December 2020 over average of January and February 2020 	August 12, 2021
Period 6 (CEWS P13)	February 14 to March 13, 2021	<ul style="list-style-type: none"> ▪ February 2021 over February 2020 or ▪ January 2021 over January 2020 	<ul style="list-style-type: none"> ▪ February 2021 or January 2021 over average of January and February 2020 	September 9, 2021
Period 7 (CEWS P14)	March 14 to April 10, 2021	<ul style="list-style-type: none"> ▪ March 2021 over March 2019 or ▪ February 2021 over February 2019 	<ul style="list-style-type: none"> ▪ March 2021 or February 2021 over average of January and February 2020 	October 7, 2021
Period 8 (CEWS P15)	April 11 to May 8, 2021	<ul style="list-style-type: none"> ▪ April 2021 over April 2019 or ▪ March 2021 over March 2019 	<ul style="list-style-type: none"> ▪ April 2021 or March 2021 over average of January and February 2020 	November 4, 2021
Period 9 (CEWS P16)	May 9 to June 5, 2021	<ul style="list-style-type: none"> ▪ May 2021 over May 2019 or ▪ April 2021 over April 2019 	<ul style="list-style-type: none"> ▪ May 2021 or April 2021 over average of January and February 2020 	December 2, 2021
Period 10 (CEWS P17)	June 6 to July 3, 2021	<ul style="list-style-type: none"> ▪ June 2021 over June 2019 or ▪ May 2021 over May 2019 	<ul style="list-style-type: none"> ▪ June 2021 or May 2021 over average of January and February 2020 	December 30, 2021
Period 11 (CEWS P18)	July 4 to July 31, 2021	<ul style="list-style-type: none"> ▪ July 2021 over July 2019 or ▪ June 2021 over June 2019 	<ul style="list-style-type: none"> ▪ July 2021 or June 2021 over average of January and February 2020 	January 27, 2022
Period 12 (CEWS P19)	August 1 to August 28, 2021	<ul style="list-style-type: none"> ▪ August 2021 over August 2019 or ▪ July 2021 over July 2019 	<ul style="list-style-type: none"> ▪ August 2021 or July 2021 over average of January and February 2020 	February 24, 2022
Period 13 (CEWS P20)	August 29 to September 25, 2021	<ul style="list-style-type: none"> ▪ September 2021 over September 2019 or ▪ August 2021 over August 2019 	<ul style="list-style-type: none"> ▪ September 2021 or August 2021 over average of January and February 2020 	March 24, 2022

²⁹ **IMPORTANT!** The same approach must be used for all CERS periods and must correspond to the one adopted for CEWS purposes. Entities eligible for both programs that have already claimed the CEWS for periods 5 and following must therefore keep the method used for this purpose (the same method must be kept for periods 5 and following for purposes of the CEWS). In these circumstances, an entity that wishes to change its election may file amended CEWS claims for the relevant periods within 180 days of the end of each concerned period.