

Rent Subsidies

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Tax News

The Canada Emergency Rent Subsidy (CERS) is a similar program to that offered under the Canada Emergency Wage Subsidy (CEWS). It allows eligible entities that have experienced a decline in revenue to receive assistance with respect to expenses incurred for leasing or owning property in connection with their activities.¹ This program ended on October 23, 2021.

Since October 24, 2021, entities in the hospitality and tourism sector, and those facing significant challenges, can benefit from a wage subsidy and a rent subsidy under the Tourism and Hospitality Recovery Program (THRP) or the Hardest-Hit Business Recovery Program (HHBRP).² Entities subject to public health restrictions can also benefit from lockdown support, giving them entitlement to the THRP. For the purposes of the rent subsidy offered by these programs, the overall monthly expense limit has been increased to \$1 million.

NEW! The eligibility criteria for lockdown support have been relaxed for periods 24 and 25 (from December 19, 2021 to February 12, 2022). The government announced that this measure will be extended to period 26, that is, until March 12, 2022.³

Following is an overview of the rent subsidy programs, taking into account the most recent changes announced. Appendix 3 summarizes the subsidies offered for periods 22 to 28, while Appendix 4 presents a summary of the subsidies offered to entities subject to a public health restriction, as of period 22.

1. CANADA EMERGENCY RENT SUBSIDY

The CERS provides a two-part subsidy, calculated on the eligible expenditures incurred by qualifying tenants who have experienced a decline in their revenue for a qualifying period. The base portion covers up to 65% of eligible expenses. Additional assistance of 25% is offered to qualifying tenants who were required to temporarily cease their activities in a given location, due to a public health restriction. As such,

the total subsidy can reach a rate of 90% for the most affected entities, subject to applicable expense ceilings and qualifying period.

The online calculator, which is available on the [CERS portal](#), can be used to estimate the subsidy amount. Applications for **period 12** (August 1 to August 28, 2021) can be submitted online **until February 24, 2022**.

1.1. Base CERS rate

The base CERS rate is determined based on the level of the decline in revenue⁴ experienced by the qualifying tenant for the given period. Qualifying tenants can benefit from a base CERS at the maximum rate if their decline in revenue for the period is 70% and more. The following table presents the maximum rate for each qualifying period:

Qualifying 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 September 25, 2021 (P12 and P13)	40%
September 26 to October 23, 2021 (P14)	20%

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

For periods 11 to 14, that is, since July 4, 2021, only qualifying tenants with a decline in revenue of **more than 10%** qualify for the CERS.

1.2. Lockdown support top-up

Qualifying tenants eligible for the base CERS can benefit from a lockdown support (top-up rent subsidy), if they are required, by reason of a public health restriction, to cease some or all of their activities at a qualifying location and it is reasonable to conclude that, during the

¹ In this *Tax News* “qualifying tenant” means tenants and owners of an qualifying location for CERS purposes.

² The CRA [calculator](#) allows corporations to calculate the amounts to which they are entitled under the THRP and the HHBRP.

³ For more information about these measures, see the [Backgrounder](#) published by Finance Canada on December 22, 2021 and the [February 9, 2022 News release](#).

⁴ Essentially, the CERS eligibility criteria are harmonized with those of the CEWS. Some elections (for example, using consolidated financial statements) impact the decline in revenue calculation for purposes of both subsidies (CERS and CEWS) for a given period. For more information on the CEWS, including the eligible decline in revenue calculation terms, consult the most recent version of [Tax News 954](#).

prior reference period,⁵ the discontinued activities represented at least 25% of the tenant's revenue at that location.

MINIMUM REVENUE DECLINE REQUIREMENT

The lockdown support is only available for applicants who qualify for the base CERS, therefore, since July 4, 2021, the decline in revenue must be more than 10%, that is for periods 11 and following, in order to be entitled to this support.

For periods 22 and following, an entity must be eligible for the THRP, the HHBRP or the THRP lockdown support, to be eligible for this benefit. The entity must therefore meet the minimum revenue decline requirement for these programs in order to be eligible for a given period.

The lockdown support is calculated at a fixed rate of 25% and applies separately for each location. If the public health restrictions require qualifying tenants to cease activities for only a part of the qualifying period, the support calculation is pro rated as follows:

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

1.2.1. Public health restriction

A public health restriction means a decree or order issued by an authorized government authority⁶ requiring the entity (or its non-arm's length tenant)⁷ 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 public health order covers a minimum period of seven consecutive days;
- 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.⁸

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.⁹

1.3. 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:¹⁰

- Taxable corporations and trusts;
- An individual;
- A partnership where at least 50% of the interest is owned directly or indirectly by eligible entities;
- A Registered Charity or NPO;¹¹
- Certain Indigenous government-owned corporations and entities that are carrying on a business;
- Private colleges and schools, including institutions that offer specialized services, such as arts schools, driving schools, language schools or flight schools.

1.3.1. 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 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.

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.¹²

1.4. Eligible expenses and ceiling

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

CLARIFICATION REGARDING THE QUALIFYING LOCATION

The CRA considers that, in certain circumstances, renting an area or space that is part of a larger property could qualify as qualifying property for CERS purposes if all other eligibility conditions are met.¹³ Accordingly, a property could be divided into several qualifying spaces used by different eligible entities for CERS purposes. For example, rent paid by a stylist for space or a chair in a hair salon could be considered as eligible rent for that stylist.

Eligible expenses must meet the following conditions:

- Be related to a property located in Canada;

⁵ That is, for the same calendar month of the 2019 or 2020 year, as applicable, or the average of January and February 2020, if the entity elected to use this prior reference period.

⁶ 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.

⁷ A property owner who rents an eligible premise to a tenant that is not at arm's length is eligible for the lockdown support if the tenant carries on a business in the eligible property is subject to a public health restriction.

⁸ The closure order must not, however, result from the violation of an otherwise valid health order.

⁹ For additional examples, see Finance Canada's November 5, 2020 [Backgrounder](#) and the CRA's technical interpretations 2020-087360117 (June 7, 2021) and 2021-088040117 (June 7, 2021).

¹⁰ To find out more about eligible entities, consult the most recent version of [Tax News 954](#).

¹¹ Including, among others, labour organizations, registered Canadian amateur athletic associations and registered journalistic organizations.

¹² For more details on this requirement, consult the most recent version of [Tax News 954](#).

¹³ For examples, see the CRA's technical interpretations 2020-087004117 (May 17, 2021) and 2020-086998117 (May 11, 2021).

- Be paid to a person dealing at arm's length;
- Be incurred pursuant to a written agreement entered into before October 9, 2020;¹⁴
- Not be incurred in relation to a residential building¹⁵ 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.

1.4.1. Eligible expense ceiling

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

Furthermore, for each qualifying period, an overall ceiling of \$300,000, to be shared among affiliated entities,¹⁶ applies for the purposes of the base CERS.¹⁷ The top-up CERS is not covered by this overall \$300,000 ceiling. For the purposes of the rent subsidy under the THRP, the HHBRP and the THRP lockdown support, this ceiling is increased to \$1M.

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.

Qualifying 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 September 25, 2021 (P12 and P13)	\$30,000	\$120,000	
September 26, to October 23, 2021 (P14)	\$15,000	\$60,000	

Example – Eligible expense ceiling¹⁸

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 given 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 public health 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.

1.4.2. Eligible expenses of a tenant

Eligible expenses include rent expenses for using or for the right to use the qualifying commercial location, including:¹⁹

- 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,²⁰ property taxes, school and municipal taxes and other similar taxes.²¹

Eligible expenses must be reduced by any amount reimbursed or refundable to the tenant, directly or indirectly by a person dealing at arm's length, including, but not limited to, amounts received by the tenant 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.

¹⁴ Payments may also result from the renewal (on substantially similar terms) or assignment of a written agreement entered into before October 9, 2020.

¹⁵ Expenses relating to an individual's principal or secondary residence (e.g., a cottage) are not eligible for the CERS.

¹⁶ 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.

¹⁷ This overall ceiling applies to both an affiliated group and a qualifying tenant with several qualifying locations. Such a tenant 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 tenant is part of an affiliated group, the \$300,000 ceiling must be allocated among the group entities.

¹⁸ 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.

¹⁹ Certain amounts received by the owner under the CECRA program in respect of the given qualifying period may be considered an eligible expense if they would otherwise have to be reimbursed to the tenant.

²⁰ Including insurance, utilities, and common area maintenance fees customarily charged to the tenant 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. To qualify, insurance expenses must generally relate to the building and not its contents (CRA, Technical Interpretation 2021-0893621E5).

²¹ Eligible expenses under a net lease may be payable to the owner or a third party, depending on the terms of the lease.

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 tenant is responsible for a certain cost to make the expense an eligible expense.²² 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.²³

Example: Under a net lease, a shopping centre owner provides heating, air conditioning, ventilation, electricity and water to the tenants 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 tenant is responsible for these expenses. Under the lease, each month, the tenant 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 tenant. 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.

NET LEASE BETWEEN NON-ARM'S LENGTH PARTIES

According to the CRA, any amount required to be paid under a net lease is part of the tenant's rent. Accordingly, if a tenant pays expenses to a third party under a net lease with a non-arm's length party, the amounts must be considered as having been paid directly to the lessor and not the third party.²⁴ For example, if, under a net lease with the parent company, a tenant pays property taxes on the property directly to the municipality, this payment is deemed to have been made to the parent company and not to the municipality. Therefore, for the tenant, the expense is not an eligible expense for the CERS, since it is rent paid to a non-arm's length party.

1.4.3. Eligible expenses of a property owner

Expenses paid in respect of a location owned by a qualifying tenant 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.²⁵

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 decline in revenue allows it to qualify as such.²⁶ 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;²⁷
 - The cost amount of the property;²⁸
- Amounts paid for insurance on the property;
- Property, school and municipal taxes and other similar taxes paid on the property.

1.5. Qualifying periods and reference month

Like the CEWS, the CERS is granted every month according to the qualifying periods presented in the table below based on the decline in revenue calculated for the attributable reference month.

Qualifying period ²⁹	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
September 26 to October 23, 2021 (P14)	October 2021

1.6. Decline in revenue percentage

The decline in revenue percentage must be calculated for each claim period to determine the entity's eligibility for the CERS and the amount it is entitled to receive. The decline in revenue is also used to determine eligibility for the CEWS, THRP and HHBRP.

1.6.1. Prior reference period

Determining the decline in revenue for the purposes of the CERS is calculated based on the rules applicable to the CEWS. As such, the decline in revenue for a period is determined by comparing revenue of a reference month for the period with those of the prior reference period, that is generally, revenue for the same calendar year in 2019 or 2020, as shown in the following table:

²² CRA, Technical Interpretation 2020-0873491E5 (February 23, 2021).

²³ 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.

²⁴ CRA, Technical Interpretation 2020-087275117 (June 17, 2021).

²⁵ 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 (tenant) must use the property primarily to earn income other than rental income.

²⁶ Certain elections make it possible to establish the decline 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](#).

²⁷ 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.

²⁸ The cost amount of land is its adjusted cost base and the cost amount of a building is essentially its undepreciated capital cost (UCC).

²⁹ These periods correspond to periods 8 to 21 of the CEWS program.

Reference month	Prior reference period
October 2020 to February 2021 (P1 to P6) ³⁰	Same month in the previous year
March to December 2021 (P7 to P14, P22 and P23) ³¹	Same month in 2019
January and February 2022 (P24 and P25)	Same month in 2020
March to May 2022 (P26 to P28)	Same month in 2019

The taxpayer can also elect to use average revenue for the months of January and February 2020³² as the prior reference period for all qualifying periods.

The approach must be the same as that used for CEWS purposes and must be maintained for all CERS periods.³³ Additionally, for each period, the revenue decline is equal to that calculated for the previous month, if it is greater (deeming rule).

Appendix 2 presents a summary of the periods used to determine the decline in revenue.

Eligible revenue for the purposes of applying the decline 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.).³⁴

1.7. Submitting or amending claims

Qualifying tenants can submit a claim online using the CRA's [My Business Account](#) portal or [Represent a Client](#) service.³⁵

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.

Applications must be submitted **no later than** 180 days after the end of the qualifying period in question. The table in Appendix 2 indicates the deadline applicable to each periods.

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 claim period.³⁶

2. TOURISM AND HOSPITALITY RECOVERY PROGRAM (THRP)

Under the THRP, eligible organizations in the tourism and hospitality industries could benefit from a rent subsidy and a wage subsidy for seven four-week periods between October 24, 2021 and May 7, 2022 (P22 to P28).

In addition to the specific conditions described below, the subsidy amount that an organization could benefit from would generally be determined using the CERS rules.

2.1. Eligible organizations

In addition to the general eligibility conditions applicable for the CERS, an eligible business must meet the following conditions:

- For the 12-month period from March 2020 to February 2021,³⁷ the business has an average monthly revenue decline of at least **40%** and for the months used as the prior reference period to determine this decline in revenue,³⁸ more than 50% of its revenues was earned from one or more eligible activities; and
- For the current month, the business has a revenue decline of at least **40%**.

2.1.1. Eligible activities

Eligible activities include, among others:³⁹

- Providing short-term lodging (hotel, motel, bed and breakfast, cottage, etc.);
- Preparing and serving meals and beverages (restaurant, bar, caterer, food truck, food concession, etc.);⁴⁰
- Activities of businesses in the tourism sector, such as travel agencies, tour operators, some charter bus services and scenic and sightseeing tours (sightseeing cruises, hot-air balloon rides, etc.);
- Convention centres and convention and trade shows organizers;
- Hosting shows, performances and exhibits and operating amusement or theme parks (museum, zoo, botanical garden, etc.);
- Camp grounds, vacation camps, outfitters, etc.;

³⁰ The decline in revenue for December 2020 is used to determine the CERS for periods 3 and 4 (periods 10 and 11 of the CEWS).

³¹ Since October 24, 2021 (P22), claim period numbers have been harmonized with wage subsidy numbers. Accordingly, there are no claim periods 15 to 21 for rent subsidies.

³² Average revenue must take into account the number of days where the business was being carried out in January and February 2020. This rule aims to weigh the average revenue of an entity that has not carried on business for part of a month. For example, for a corporation with a \$100,000 revenue in January and a \$140,000 revenue in February, the average would be \$120,000. If the corporation started operating its business on January 15, the average would be \$160,000 [i.e., \$240,000 * (60 days / 45 days)].

³³ Eligible employers who were inactive on March 1, 2019 may choose to use the alternative method for calculating their revenue decline for periods 7 to 10 and for periods 26 to 28, even if they have been using the traditional method since period 5 of the CEWS.

³⁴ 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](#).

³⁵ For additional information, go to the [CERS portal](#).

³⁶ Applications for a cancellation or reduction may be submitted at any time after the applicable deadline. For details, consult the [CERS portal](#).

³⁷ This calculation includes the first 13 qualifying periods of CEWS, excluding period 10 or period 11, which is equivalent to a full 12-month period, from March 2020 to February 2021.

³⁸ That is, the months of March 2019 to February 2020 if the organization calculated its revenue decline on the basis of the same month in the previous year for periods 1 to 13 of the CEWS. If, for these periods, the organization had elected to use the average for January and February 2020 as the prior reference period (see section 1.6.1), it is that revenue that must be taken into account instead for this criterion. For details on this requirement, consult the [CRA's website](#).

³⁹ For a complete list of eligible activities, refer to [CRA's website](#).

⁴⁰ Excluding establishments primarily engaged in retailing food or beverage products, such as a supermarket or a convenience store.

- Cinemas, drive-in theatres, casinos and amusement arcades;
- Providing recreational activities such as a fitness centre, ski area, marina, amusement centre (curling, bowling, mini-golf, etc.) but **excluding** golf clubs and courses, country clubs, professional sports clubs, teams or leagues or facilities used primarily by such organizations.

2.1.2. Average 12-month revenue decline

The following rules⁴¹ apply to calculate the average monthly revenue decline over the 12-month period from March 2020 to February 2021:

- For purposes of the average monthly revenue decline over 12 months, the revenue decline percentage for each period is determined using the same comparison methods used for the CEWS and CERS claims;
- The revenue decline percentage for a given period is determined without taking the deeming rule described in section 1.6 into account; it is therefore the actual revenue decline for the month in question;
- A revenue increase in a given period must be considered a “negative revenue decline” for the calculation, such that the revenue increase will reduce the average 12-month revenue decline;
- If the business was not operating for any length of time during one or more of claim periods 1 to 13, it must exclude the corresponding reference month from the 12-month average revenue decline, unless the cessation of activities was due to a public health restriction, in which case the month is included in the calculation.

2.2. Subsidy rate

The rent subsidy and wage subsidy for organizations that qualify for the THRP is as follows, depending on the applicable claim period:

Claim period	Subsidy rate based on revenue decline%		
	0%-39%	40%-74%	75% and over
October 24, 2021 to March 12, 2022 (P22 to P26)	0%	Revenue decline ⁴²	75%
March 13 to May 7, 2022 (P27 and P28)	0%	Revenue decline ÷ 2	37.5%

An entity that qualifies for the THRP can also receive lockdown support top-up, that is, an additional rent subsidy of 25% for the days it was closed during the claim period. The conditions to be met in this regard are described in section 1.2. As a result, the rent subsidy granted to an entity that qualifies for the THRP could reach 100% of its eligible rent expenses for periods 22 to 26.

Appendix 1 presents the detailed rate structure and Appendix 4 presents a summary of the subsidies offered to entities subject to a public health restriction, as of period 22.

2.2.1. Revenue decline percentage

The revenue decline percentage for a given month is determined in the same manner as described in section 1.6 and the deeming rules apply for this purpose.⁴³

2.3. Increased monthly cap on eligible expenses

For purposes of the THRP, the overall monthly cap on eligible expenses described in section 1.4.1 is \$1M.

3. HARDEST-HIT BUSINESS RECOVERY PROGRAM (HHBRP)

Under the HHBRP, eligible organizations in all industries that experience significant losses could benefit from a rent subsidy and a wage subsidy for seven four-week periods between October 24, 2021 and May 7, 2022 (P22 to P28). The subsidy rate is determined on the basis of the claim period and the revenue decline percentage.

In addition to the specific terms described below, the subsidy amount that an organization could benefit from is generally determined using the CERS rules.

3.1. Eligible organizations

In addition to the general CERS eligibility requirements, an eligible organization must **not qualify for the THRP** and must meet the following two conditions:

- Have experienced an average monthly revenue decline of at least **50%** over the 12 months period to qualify for the THRP (March 2020 to February 2021);⁴⁴
- Have a current-month revenue loss of at least **50%**.⁴⁵

3.2. Subsidy rate

The rent subsidy and wage subsidy rate for organizations that qualify for the HHBRP is as follows, depending on the applicable claim period:

Claim period	Subsidy rate based on revenue decline (RD)%		
	0%-49%	50%-74%	75% and over
October 24, 2021 to March 12, 2022 (P22 to P26)	0%	$10\% + (RD - 50\%) \times 1.6^{46}$	50%
March 13 to May 7, 2022 (P27 and P28)	0%	$5\% + (RD - 50\%) \times 0.8$	25%

An entity that qualifies for the HHBRP can also receive lockdown support top-up, that is, an additional rent subsidy of 25% for the days it was closed during the claim period. The conditions to be met in this regard are described in section 1.2. As a result, the rent subsidy granted to an entity that qualifies for the HHBRP could reach 75% of its eligible rent expenses for periods 22 to 26.

Appendix 1 presents the detailed rate structure and Appendix 4 presents a summary of the subsidies offered to entities subject to a public health restriction, as of period 22.

⁴¹ For more information about this topic, consult the [CRA's website](#).

⁴² For example, a 60% revenue decline would give entitlement to a 60% subsidy rate.

⁴³ Appendix 2 presents a summary of the reference periods used to determine the revenue decline.

⁴⁴ This decline is determined in the same manner as for the THRP. See section 2.1 for details in this regard.

⁴⁵ Using the rules that apply for the CEWS.

⁴⁶ For example, $[10\% + (60\% \text{ revenue decline} - 50\%) \times 1.6] = 26\%$ subsidy rate.

3.3. Increased overall monthly eligible expense ceiling

For purposes of the HHBRP, the overall monthly cap on eligible expenses described in section 1.4.1 is \$1M.

4. LOCKDOWN SUPPORT

Subject to the relief described hereafter, for periods 24 to 26, an eligible organization subject to a public health lockdown measure⁴⁷ may benefit from a rent subsidy and a wage subsidy equivalent to the amount that would be available if it were eligible for the THRP, to the extent that:

- The public health restriction applies for at least 7 days in the period;⁴⁸
- The organization required to **stop some or all of its activities** in one or more locations⁴⁹ and it is reasonable to conclude that the interrupted activities represented **at least 25% of its income (including that of its tenants with which it is not at arm's length)** during the prior reference period;⁵⁰
- For the current month, the organization has a revenue decline of at least 40%.

This support is available to all eligible organizations that satisfy these criteria, regardless of sector without the need to demonstrate the 12-month revenue decline for THRP and HHBRP purposes.

Example: For period 22 (from October 24, 2021 to November 20, 2021), a business targeted by a lockdown order is required to stop its activities for 10 days. It experiences a drop in revenue of 50% for the month of November 2021, compared to November 2019. It may be eligible for a wage subsidy and a rent subsidy calculated at a rate of 50%,⁵¹ to the extent the activities interrupted due to lockdown accounted for at least 25% of its income in November 2019.

If some locations are subject to a qualifying public health restriction and others are not, the business must demonstrate that at least 25% of its eligible revenue (together with the eligible revenue of its non-arm's length tenants) during the prior reference period is from qualifying properties that were closed or subject to restrictions.

Example: Company ABC has two qualifying properties that had to close for 10 days because of public health restrictions during period 22. Its two other qualifying properties stayed open as usual.

When the owner reviews the business's total eligible revenue, it determines that the two qualifying properties that had to close because of public health restriction each accounted for 12.5% of its eligible revenue for November 2019. The two properties' revenue therefore accounts for 25% of ABC's total eligible revenue and the condition is met.

4.1. December 19, 2021 to March 12, 2022 (P24 to P26) relief measures

EXTENDED RELIEF! For the period of December 19, 2021 to March 12, 2022 (P24 to P26), lockdown support is extended to businesses

required to **reduce their capacity by at least 50%**, in one or more locations, to the extent it is reasonable to conclude that the **restricted activities represent at least 50% of the entity's revenues (including those of tenants who are not at arm's length)** during the prior reference period.

Additionally, to qualify for the lockdown support for one of these periods, the entity must have a current-period decline in revenue of at least 25% (instead of the normal 40% threshold).

4.2. Subsidy rate

For periods 24 to 26, subject to the relief, the wage subsidy and rent subsidy rate for entities that qualify for lockdown support would be as follows:

Claim period	Subsidy rate based on revenue decline %		
	0%-24%	25%-74%	75% and more
December 19, 2021 to March 12, 2022 (P24 to P26)	0%	Revenue decline ⁵²	75.0%

For periods not targeted by the temporary relief, the wage and rent subsidy rates are as follows:

Claim period	Subsidy rate based on revenue decline %		
	0%-39%	40%-74%	75% and more
<ul style="list-style-type: none"> October 24, 2021 to December 18, 2021 (P22 and P23) 	0%	Revenue decline	75.0%
<ul style="list-style-type: none"> March 13 to May 7, 2022 (P27 and P28) 	0%	Revenue decline ÷ 2	37.5%

An entity that qualifies for the THRP in light of the lockdown support may also receive a lockdown support top-up, that is, an additional rent subsidy of 25% for the days it is closed included in the claim period. The conditions to be met in this regard are described in section 1.2. Consequently, the rent subsidy granted to such an entity could reach 100% of its eligible rent expenses, for periods 22 to 26.

5. TAXABLE GOVERNMENT ASSISTANCE

Rent subsidies, granted in connection with the CERS, THRP, HHBRP and lockdown support, are considered taxable government assistance. These subsidies are deemed to be received immediately before the end of the period to which they relate. They are therefore taxable in the taxation year that includes the last day of the claim period rather than when they are 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.

⁴⁷ See section 1.2.1 for details about this concept. Appendix 4 presents a summary of the subsidies offered to entities subject to a public health restriction, as of period 22.

⁴⁸ **NEW CLARIFICATION!** The public health restriction must last at least 7 consecutive days, which may overlap two demand periods. In addition, to be entitled to a subsidy for a given period, the business place must be closed for at least 7 days during the period (consecutive or not). For more details on qualifying public health restrictions, visit the CRA's website.

⁴⁹ This could be one or more locations occupied by the organization or a tenant which it is not at arm's length.

⁵⁰ I.e., the same calendar month of the 2019 calendar year (or of 2020 for January or February 2022). See section 1.6.1.

⁵¹ The entity could also receive lockdown support top-up (see section 1.2).

⁵² For example, a 60% revenue decline would give entitlement to a 60% subsidy rate.

Appendix 1 — Rent subsidies (CERS, THRP and HHBRP) rates

This table presents the rent subsidy rates structure which varies according to the decline in revenue level¹ and the qualifying period.

Section A – CERS (Claim periods 1 to 14²)

Qualifying period	Base CERS rate according to the decline 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%	$40\% + [1.25 \times (\text{decline in revenue}\% - 50\%)]$	$0.8 \times \text{decline in revenue}\%$	$0.8 \times \text{decline in revenue}\%$
July 4 to July 31, 2021 (P11)	60%	$35\% + [1.25 \times (\text{decline in revenue}\% - 50\%)]$	$0.875 \times (\text{decline in revenue}\% - 10\%)$	0%
August 1 to September 25, 2021 (P12 and P13)	40%	$25\% + [0.75 \times (\text{decline in revenue}\% - 50\%)]$	$0.625 \times (\text{decline in revenue}\% - 10\%)$	0%
September 26 to October 23, 2021 (P14)	20%	$10\% + [0.50 \times (\text{decline in revenue}\% - 50\%)]$	$0.250 \times (\text{decline in revenue}\% - 10\%)$	0%

Example – Base CERS rate calculation

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

Qualifying period	Base CERS rate	
	If 60% decline in revenue	If 30% decline 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 September 25, 2021 (P12 and P13)	32.5% $25\% + [0.75 \times (60\% - 50\%)]$	12.5% $0.625 \times (30\% - 10\%)$
September 25 to October 23, 2021 (P14)	15.0% $10\% + [0.50 \times (60\% - 50\%)]$	5% $0.250 \times (30\% - 10\%)$

Section B – THRP, HHBRP and THRP lockdown support (Claims periods 22 to 28³)

Qualifying period	Rate according to decline in revenue (DR)%	
	THRP and lockdown support	HHBRP
October 24 to November 20, 2021 (P22)	<ul style="list-style-type: none"> Rate = DR (max. 75%) Nil if DR < 40% 	<ul style="list-style-type: none"> Rate of 50% if DR is 75% and + Rate of $[1.6 \times (\text{DR} - 50\%) + 10\%]$ if DR > 49%, but < 75% Nil if DR < 50%
November 21 to December 18, 2021 (P23)		
December 19, 2021 to January 15, 2022 (P24)		
January 16 to February 12, 2022 (P25)		
February 13 to March 12, 2022 (P26)	<ul style="list-style-type: none"> Rate = $\frac{1}{2} \times \text{DR}$ (max. 37.5%) Nil if DR < 40% 	<ul style="list-style-type: none"> Rate of 25% if DR is 75% and + Rate of $[0.8 \times (\text{DR} - 50\%) + 5\%]$ if DR > 49%, but < 75% Nil if DR < 50%
March 13 to April 9, 2022 (P27)		
April 10 to May 7, 2022 (P28)		

¹ Based on the deeming rule, the revenue decline rate for a given period is deemed to be equal to that of the previous period if it is greater than the rate calculated for the given period.

² CEWS claim periods 8 to 21.

³ As of October 24, 2021, the numbers of the claim periods are harmonized with those of the wage subsidy (formerly the CEWS). Accordingly, there are no claim periods 15 to 21 for rent subsidies.

Appendix 2 — Rent subsidy reference periods and deadlines to submit or amend a subsidy claim

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

Section A – CERS (Claim periods 1 to 14¹)

Period	Qualifying period	Reference period ²		Deadline to submit a claim
		Traditional 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
Period 14 (CEWS P21)	September 26 to October 23, 2021	<ul style="list-style-type: none"> October 2021 over October 2019 or September 2021 over September 2019 	<ul style="list-style-type: none"> October 2021 or September 2021 over average of January and February 2020 	April 21, 2021

¹ CEWS claim periods 8 to 21.

² The same approach must be used for all CERS periods (subject to the exception for periods 7 to 10). For those periods, an employer that was not carrying on a business, or otherwise not carrying on its ordinary activities as at March 1, 2019 may elect to use the alternative approach even if it normally uses the general approach. Entities eligible for both programs that have already claimed the CEWS 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).

Appendix 2 — Rent subsidy reference periods and deadlines to submit or amend a claim subsidy (continued)*Section B – THRP, HHBRP and THRP lockdown support (Claim periods 22 to 28³)*

Period	Qualifying period	Reference period ⁴		Deadline to submit a claim
		Traditional approach	Alternative approach	
Period 22	October 24 to November 20, 2021	<ul style="list-style-type: none"> November 2021 compared to November 2019 or October 2021 compared to October 2019 	<ul style="list-style-type: none"> November or October 2021 compared to the average for January and February 2020 	May 19, 2022
Period 23	November 21 to December 18, 2021	<ul style="list-style-type: none"> December 2021 compared to December 2019 or November 2021 compared to November 2019 	<ul style="list-style-type: none"> December or November 2021 compared to the average for January and February 2020 	June 16, 2022
Period 24	December 19, 2021 to January 15, 2022	<ul style="list-style-type: none"> January 2022 compared to January 2020 or December 2021 compared to December 2019 	<ul style="list-style-type: none"> January 2022 or December 2021 compared to the average for January and February 2020 	July 14, 2022
Period 25	January 16 to February 12, 2022	<ul style="list-style-type: none"> February 2022 compared to February 2020 or January 2022 compared to January 2020 	<ul style="list-style-type: none"> February or January 2022 compared to the average for January and February 2020 	August 11, 2022
Period 26	February 13 to March 12, 2022	<ul style="list-style-type: none"> March 2022 compared to March 2019 or February 2022 compared to February 2020 	<ul style="list-style-type: none"> March or February 2022 compared to the average for January and February 2020 	September 8, 2022
Period 27	March 13 to April 9, 2022	<ul style="list-style-type: none"> April 2022 compared to April 2019 or March 2022 compared to March 2019 	<ul style="list-style-type: none"> April or March 2022 compared to the average for January and February 2020 	October 6, 2022
Period 28	April 10 to May 7, 2022	<ul style="list-style-type: none"> May 2022 compared to May 2019 or April 2022 compared to April 2019 	<ul style="list-style-type: none"> May or April 2022 compared to the average for January and February 2020 	November 3, 2022

³ As of October 24, 2021, the numbers of the claim periods are harmonized with those of the wage subsidy (formerly the CEWS). Accordingly, there are no claim periods 15 to 21 for the rent subsidy.

⁴ The same approach must be used for all CERS periods. However, for periods 26 to 28, an employer that was not carrying on a business, or otherwise not carrying on its ordinary activities as at March 1, 2019 may elect to use the alternative approach even if it normally uses the general approach. Entities eligible for both programs that have already claimed the CEWS 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).

Appendix 3 – Summary of the subsidies offered for the period from October 24, 2021 to May 7, 2022 (P22 to P28)¹

	THRP	HHBRP	LOCKDOWN SUPPORT	
Eligible entity				
Eligible industry	Recreation, tourism, and hospitality	All industries	Any industry if activities ceased affecting an activity that accounted for at least 25% of revenues in the prior reference period	TEMPORARY EXPANSION (P24 to P26)! Any industry if capacity reduction affecting an activity that accounted for at least 50% of revenues in the prior reference period
Revenue decline				
Average monthly revenue decline over 12 months (March 2020 to February 2021)	40%	50%	N/A	
Decline for current month	40%	50%	TEMPORARY EXPANSION! P24 to P26 (December 19, 2021 to March 12, 2022): 25%	
			Other periods (before December 19, 2021 and after March 12, 2022): 40%	
Maximum rate for wage subsidy and rent subsidy ²				
October 24, 2021 to March 12, 2022	75.0%	50%	75.0%	
March 13 to May 7, 2022	37.5%	25%	37.5%	

¹ For a summary of the rates for these various programs, consult Appendix 1.

² The maximum rate is offered when the revenue decline is 75% or more for the given period (rate gradually reduced when revenue decline is lower).

These comments are not intended to be an exhaustive review of statutes. Readers should not make any decisions without consulting their tax advisor.

Appendix 4 – Summary of subsidies for entities subject to a public health restriction for periods 22 to P28¹

	Subsidies for businesses that had to <u>cease</u> their activities	Subsidies for entities required to <u>restrict</u> their activities	Lockdown support top-up (rent subsidy)
Targeted periods			
	Periods 22 to 28	Periods 24 to 26	Periods 22 to 28 ²
Eligibility criteria			
<i>Current month decline in revenue</i>	<ul style="list-style-type: none"> 40% for P22, P23, P27 and P28 25% for P24 to P26 	<ul style="list-style-type: none"> 25% 	<ul style="list-style-type: none"> The entity must be eligible for the THRP, HHBRP or THRP lockdown support during the given period
<i>Qualifying public health restriction</i>	<ul style="list-style-type: none"> The entity (or its non-arm's length tenant) is required to stop some or all of its activities in at least one location, for at least 7 days (consecutive or not) in the qualifying period 	<ul style="list-style-type: none"> The activities of the entity (or its non-arm's length tenant) are reduced by at least 50% in at least one location, for at least 7 days (consecutive or not) in the qualifying period 	<ul style="list-style-type: none"> The entity (or its non-arm's length tenant) is required to stop some or all of its activities in one location for at least one day in the qualifying period³
<i>Restricted activities</i>	<ul style="list-style-type: none"> The activities that were stopped accounted for at least 25% of the total eligible revenue for the entity and its non-arm's length tenants during the prior reference period 	<ul style="list-style-type: none"> The restricted activities accounted for at least 50% of total eligible revenue for the entity and its non-arm's length tenants during the prior reference period 	<ul style="list-style-type: none"> The activities that were stopped accounted for at least 25% of eligible revenue for the entity or its non-arm's length tenant's during the prior reference period at the given location
Subsidy offered			
<i>Subsidy</i>	<ul style="list-style-type: none"> THRP (wage subsidy and rent subsidy) THRP lockdown support 		<ul style="list-style-type: none"> Lockdown support top-up (rent subsidy)
<i>Subsidy rate</i>	<ul style="list-style-type: none"> Rate of up to 75%, based on decline in revenue for the period⁴ 		<ul style="list-style-type: none"> Fixed rate of 25%
<i>Eligible expenses</i>	<ul style="list-style-type: none"> Expenses that qualify for the wage subsidy and rent subsidy for the entire claim period (even if activities were not stopped or restricted during the entire period) 		<ul style="list-style-type: none"> Eligible rent expenses for each day the business is required to stop its activities due to a public health restriction

¹ In order to qualify for these measures, the public health restriction must last at least 7 consecutive days. To our knowledge, this criterion is normally met by governmental orders. In addition to this criterion, at least one of the entity's locations must be subject to a public health restriction for a certain number of days in the given period, as described in this table.

² This top-up applies to any period that qualify for the rent subsidy, since the beginning of the CERS.

³ A partial public health restriction limiting the indoor capacity or the hours of operation does not qualify for this criterion.

⁴ The maximum rate is offered when the revenue decline is 75% or more or the given period (rate gradually reduced when revenue decline is lower).