

# Canada Emergency Business Account

The Canada Emergency Business Account (CEBA) was created by the federal government to provide interest-free loans of up to \$40,000 for small businesses and not-for-profit organizations. The loan is meant to assist businesses and NPOs with covering their operating costs during a period when revenues have temporarily decreased.

## Who is eligible?

The CEBA will be available to:

- 1 Small businesses, and
- 2 Not-for-profit organizations.

Furthermore, these organizations must demonstrate that they had total payroll between CDN\$20,000 and CDN\$1.5 million in 2019, as evidenced by their 2019 T4 Summary of Remuneration Paid.

The organization is required to have a federal tax registration number. This 15-digit number would be found on the top-right of the T4 Summary document.

An organization that meets the payroll requirement must also ensure it has a business account with their financial institution. The business account must have been opened on or prior to March 1, 2020 and it cannot be in arrears on existing borrowing facilities with the financial institution for 90 days or more as at that date. The government has stated that an organization that uses a personal account will not be eligible.

The application for the CEBA can only be filed at one financial institution, i.e., the organization's primary financial institution. Furthermore, the organization that applies must acknowledge its intent to continue operations and must also agree to participate in post-funding surveys conducted by the federal government or its agents.

## Who is not eligible?

The government has outlined specific types of organizations that would not be eligible for the CEBA:

- 1 A government organization or body or an entity owned by a government organization or body.
- 2 A union, charitable, religious or fraternal organization or an entity owned by one. If it is an entity owned by one of these types of organizations, it must be a registered T2 (corporate tax return) or T3010 (charity information return) corporation that generates a portion of its revenue from the sales of goods or services.
- 3 An entity owned by an individual holding political office.
- 4 An entity that promotes violence, incites hatred or discrimination on the basis of sex, gender, sexual orientation, race, ethnicity, religion, culture, region, education, age or mental or physical disability.

## How does it work?

The CEBA is provided to an organization through that organization's financial institution, which would be providing this loan in cooperation with Export Development Canada.

The loan is interest-free and 25% of the loan is forgivable (up to \$10,000) if the organization repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan at an interest rate of 5%.



The government has also stated that the funds can only be used to pay non-deferrable operating expenses, which include payroll, rent, utilities, insurance, property tax and regularly scheduled debt service. The funds cannot be used for prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

## How to apply

Since the CEBA is available through an organization's financial institution, the application process would vary, depending on the methods adopted by that financial institution.

To date, RBC, Scotiabank, TD, BMO and CIBC have all made mention of how they will administer the CEBA.

The large banks, as well as smaller banks and some credit unions, have stated that the application will only be available via their online banking portal for businesses. An organization that wishes to apply for the CEBA should ensure it has registered for online banking.

Some banks and credit unions may have a different application process, particularly those in smaller or rural communities, therefore, it may be necessary to contact the financial institution to get more details of the application process.

After completing the online application, \$40,000 will be immediately deposited into the applicant's business operating account.

## Additional information

Additional details can be found on the Government of Canada's [CEBA page](#).

*Grant Thornton LLP wants to caution that these rules are still new and continue to evolve as the government continues to re-evaluate the economic impact caused by the COVID-19 pandemic. We may still see changes to these measures—as well as new measures—as the government attempts to address the issues that have been raised by us and the tax community. Therefore, any analysis included herein, reflects our knowledge as of the date and time of this email and may no longer be applicable if changes do occur and you should proceed with caution before making any decisions.*

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