

DEPARTMENT OF FINANCE CANADA

EXTEND THE CEBA LOAN FORGIVENESS DEADLINE FOR QUALIFYING BUSINESSES

Issue

The repayment dates for many of the federal COVID business loan programs are approaching and as the recovery has not been as robust as originally projected, financial freedom on cash flows is not there, presenting a looming probability of many small businesses collapsing. Added to this a significant number of loans have been disallowed eliminating the anticipated forgiveness amounts for affected businesses.

Government mandated restrictions including business closures caused detrimental financial hardship for Canadian businesses and an originally optimistic recovery period is not in sight. Ultimately, the federally funded COVID business loan programs benefits included forgiveness amounts and interest free periods are a small contribution from the government to support the financial expense to businesses caused by their pandemic response.

Background

Federally funded COVID business loan programs included:

- Canadian Emergency Benefit Account (CEBA)
- Rural Relief & Recovery Fund (RRRF)
- Emergency Loan Program (ELP)

While there are differing regional or streams, they shared many similar characteristics including an interest-free period, an early repayment deadline to receive forgiveness on a portion of the funds received, and a repayment period with a maturity date of approximately 5 years from the date of the advance.

As an example, Canadian Emergency Benefit Account loans of \$40,000-\$60,000 were provided for eligible businesses as an aid to compensate for the impact of the COVID-19 pandemic associated restrictions.

CEBA loans are interest free and a forgiveness amount of \$10,000-\$20,000 will apply to loans paid in full prior to December 31, 2023.

The repayment and forgiveness period has been extended twice previously from the original repayment date of December 31, 2022, and December 31, 2023.

The pandemic's impact on small businesses across the country paired with the additional payroll expense of Provincial Sick Leave and minimum wage increases, inflation and supply chain challenges have abolished the original and optimistic 'bounce back' period used to determine the original repayment timelines.

Other important notes:

CEBA:

- To date, only 13% of Businesses have repaid their CEBA loans in full.

DEPARTMENT OF FINANCE

- Unpaid CEBA loans revert to a 5% interest only term effective January 1, 2024, for a period of 24 months at which time the full principle is due (December 31, 2025).
- According to the Government of Canada 898,271 Canadian Businesses received CEBA loans.
- According to the Government of Canada 571,851 received expansions of an additional \$20,000.
- According to the Government of Canada to the total amount loaned via CEBA is \$49.2 Billion.
- Assuming a CEBA loan balance of \$60,000, 5% annual interest only payments will equal \$3000 in additional cost to businesses.
- In addition to the losses caused by pandemic related restrictions and closures Canadian Businesses are still far below pre-pandemic sales volumes.
- Many CEBA loans are guaranteed by personal assets which result in extreme financial hardship for many Canadian entrepreneurs and employers.

Similar figures for the other federally funded COVID business loan programs were not available, but are assumed to be similar as CEBA.¹

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Introduce an application process to provide a 12-month loan forgiveness extension (CEBA, RRRF, ELP, or others) to qualifying businesses and organizations that are unable to repay loans in full on December 31, 2023.

GROW LABOUR MARKET SIZE THROUGH INCREASED EMPLOYMENT OF SENIORS

Issue

Labour force issues which plague Canadian businesses are being addressed through pathways which include increased immigration and immigration-friendly legislation; increased trades and skills training; and affordable housing for increased workforce housing. Missing in the current conversation is incentivizing populations which are legally entitled to government payments from both Old Age Security and Canada Pension Plan funds. In both cases, Canadian residents have generally paid into these funds throughout their working lives – and consider these funds “theirs”. However, misunderstandings – and misinformation – abounds, particularly within the senior population itself and its employers – and there is an opportunity to add to the workforce by addressing this sector with better information and incentivization from the federal government.

Background

Many seniors believe that they must quit work and quit earning when they hit ages 65-70. Some of this is historical, based on companies and professions mandating retirement at 60 or 65. A large percentage of the workforce does not have a pension plan through their current, or their accumulation of,

¹ Resources

<https://www.cbc.ca/news/politics/ceba-loan-repayments-deadline-extension-1.6759630#content>

<https://ceba-cuec.ca/>

<https://www.cfib-fcei.ca/en/tools-resources/canada-emergency-business-account-ceba>

<https://huddle.today/2022/10/19/thousands-of-businesses-told-they-were-ineligible-for-ceba-loans/>

