



# Canada Emergency Rent Subsidy (CERS) Support Services



November 2020

The KPMG CERS support service package can assist organizations to optimize their subsidy claim to offset rent, interest and certain other costs.

## CERS Background

Certain organizations affected by COVID-19 may be eligible to receive the new Canada Emergency Rent Subsidy (CERS). Under this new relief, businesses, eligible charities and non-profits that experience a revenue drop would be eligible to claim a subsidy on eligible expenses, on a sliding scale up to a maximum of 65% of eligible expenses, including rent and interest on commercial mortgages, from September 27, 2020 until June 2021. The government has now passed legislation related to the first stage of this new relief until December 19, 2020, which outlines the criteria of this new subsidy and generally mirrors the Canada Emergency Wage Subsidy (CEWS), including a sliding rate scale and certain eligibility considerations.

In addition to this new subsidy of up to 65%, organizations affected by a public health lockdown may also be eligible for a 25% Lockdown Support Subsidy. Legislation to implement the new CERS and the Lockdown Support Subsidy, among other support measures, was passed into law by the Senate on November 19, 2020. The application process for these new subsidies opened on November 23, 2020.

## CERS Eligible Entities

Similar to the Canada Emergency Wage Subsidy program, individuals, taxable corporations and trusts, non-profit organizations and registered charities are generally eligible for the new rent subsidy (but not public institutions). Eligible organizations also include:

- Partnerships that are up to 50% owned by non-eligible members
- Indigenous government-owned corporations that are carrying on a business, as well as partnerships where the partners are Indigenous governments and eligible

## Eligible Expenses

Eligible organizations that have experienced a revenue drop can claim a subsidy calculated based on revenue decline on eligible expenses of up to \$75,000 per property to a total of \$300,000 paid within 60 days after the receipt of the subsidy to arm's length parties in respect of a qualifying period, including:

- Commercial rent (including gross rent, rent paid on a percentage of sales, profits or similar criterion, and amounts paid under a net lease)
- Property taxes (including school taxes and municipal taxes)
- Property insurance
- Interest on commercial mortgages (subject to limits) for a qualifying property
- Less any amounts received as revenue under a sub-lease of a qualifying property.

The 25% Lockdown Support Subsidy is based on the same qualifying expenses, subject to the limit per property with no overall limit in a qualifying period.

- organizations
- Registered Canadian Amateur Athletic Associations
  - Registered Journalism Organizations, and
  - Non-public colleges and schools, including institutions that offer specialized services, such as art schools, driving schools, language schools or flight schools.

## Lockdown Support Subsidy

Organizations with locations that are temporarily forced to close, or temporarily have their business activities significantly restricted due to COVID-19 may also be eligible to receive a 25% Lockdown Support Subsidy on eligible expenses, which the government also refers to as a 25% “top-up” rent subsidy.

To qualify for this additional subsidy, an organization must already qualify for the base CERS, and must either completely shut down a location, or cease some or all of the activities that account for at least 25% of the organization’s pre-pandemic revenues at that location for at least a week, under a specified public health order issued as a result COVID-19 outbreak. Organizations may be eligible for the subsidy for public health restrictions that include for example:

- Restrictions that disallow indoor dining
- Closure of retail stores, bars, theaters or fitness centres
- Restrictions on the types of personal services that can be provided
- Closure in relation to a COVID-19 outbreak on premises.

## KPMG’s CERS Support Service Package

It is important for businesses to understand the complexities of the Canada Emergency Rent Subsidy.

As your trusted advisors, we’re here to help. Because every business is unique, our experienced professionals will be able to assist you with establishing the methodology to use to determine eligibility and help you ensure it is consistent with similar organizations in your sector and across Canada. We have specific service offerings to help:

- Develop a template to assist in calculating an eligible entity’s qualifying rent expense for each qualifying property
- Identify the eligible properties and eligible costs for the subsidies under either a lease or ownership arrangement.
- Calculate the eligible entity’s rent subsidy percentage and rent top-up percentage for each qualifying period

- Prepare an analysis to ensure the maximum return is achieved for the basis of determining revenue decline under both CEWS and CERS
- Prepare the calculation of the CERS claim for each qualifying period for an eligible entity
- Provide a summary report outlining the eligibility criteria with an information package supporting the CERS claim for each qualifying period for an eligible entity.

We can provide various levels of assistance to help you determine that you’ve assembled the appropriate documentation to support your claims, ranging from accounting advice and assistance, a specific procedures report or an audit report on financial information.

Together, we can help your organization navigate these unprecedented times.

## How KPMG can help:

- Alleviate strain on Finance and IT resources through efficient outsourcing of preparation of your CERS claim.
- Support your organization with the optimal analysis of the revenue decline for purposes of the interplay between the CEWS and CERS claims for a qualifying period.
- Ensure that the maximum amount of qualifying eligible expenses have been identified so that the highest possible CERS claim can be filed.
- Provide all of the required documentation and guide your organization through the claim process for the CERS on the CRA web portal

KPMG can provide organizations with cost-effective pricing for each level of our **CERS support service package**.

We will deliver each stage of our service offering promptly to ensure that the organization is properly supported throughout the process.

Please reach out to your KPMG Canada advisor to discuss an action plan for your business. Together, we can help your organization navigate these unprecedented times.

## Contact us

Partner Name

Partner Title

Phone Number

Email address

Information is October 9, 2020

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