

I am writing this in the hope that cross country ski clubs will find this information useful. As many of you know, as the past president of Cross Country Ski Canada and the past chair of Cross Country Ski Ontario, I have a long involvement in the sport. Professionally, I am a Chartered Professional Accountant and have been actively advising clients on the various programmes that the Government of Canada has announced to help businesses during the Covid-19 pandemic.

You cannot rely on the following as professional advice. The information is accurate as of writing this, but I do not know your individual fact situation. You need to make your own assessment of your club's situation.

I am also the president of the Highlands Trailblazers ski club. We, too, are facing the challenge of keeping our programme viable in a time when our athletes cannot meet as a group or directly with their coach. We have decided to substantially reduce the fees while social distancing is required and rely on government programmes to offset the majority of our salary costs. This leaves the club reasonably whole, and our athletes able to receive training plans and virtual training sessions with their coach.

### **Canada Emergency Wage Subsidy (CEWS)**

#### **A. Your club coach is an employee, and you normally remit source deductions; the path forward is quite clear.**

- The first test – has your revenue dropped by 15% or more from March of last year or the average of January and February 2020. (For April and later – the revenue decrease has to be 30% and is compared to either the same month in 2019 or the average of January and February 2020).
  - You get to pick which test to use.
  - You also get to pick whether you use accrual accounting (where you record the revenue when you issue an invoice and not when you receive the payment) or the cash method.
    - In both cases, you need to be consistent in subsequent months.
- If you meet the test:
  - You are eligible to receive the greater of:
    - the least of
      - 75% of what you paid the employees starting March 15
      - \$847 per week
    - and
    - the least of
      - 75% of the average wage paid to the employee from January 1 to March 15, 2020 (baseline pay), up to the amount you actually paid (it is possible to recover 100% of the pay to an employee if the post-March 15<sup>th</sup> pay is ≤75% of the baseline pay)
      - \$847 per week
- You may find the above confusing. Two examples should help clarify what you can receive”
  1. Bob has been your coach all season. Bob earns \$3,000 per month. Bob's baseline pay is (\$36,000 per year) \$692.31 per week.

- a. Option 1 – you continue to pay Bob at the same rate. You would be eligible to receive 75% of this amount as a subsidy under CEWS.  $4 \times 692.31 \times 75\% = 2,076.92$  per month
- b. Option 2 – you only pay Bob 75% of what he previously to earn = \$519.23 per week. You would be eligible to receive 100% of Bob's pay under CEWS.

**B. Your club has a payroll account with CRA, but your club coach is an independent contractor**

See the note in point 1 regarding the requirement to have a sufficient drop in revenue to qualify.

Time to get legal. I have often been asked whether a club coach can be an contractor or would CRA consider a coach to be an employee. My advice has been consistent in that I don't believe a coach meets CRA's requirements to be considered to be an independent contractor and would be deemed by CRA to be an employee.

1. Your coach can become an employee. There is no going back to being an independent contractor.
  - a. You can recover under CEWS. 75 % of what you pay a coach up to the maximum of \$847 per week (that equates to a weekly pay of \$1,129.33).

**C. Your club didn't have a payroll account with CRA on March 15, 2020**

You are ineligible for the CEWS subsidy.

You can make the wage payments retroactively to March 15 and receive the subsidy under CEWS. The programme is divided into three periods March 15 to April 11, April 12 to May 9 and May 10 to June 6.

More details on CEWS and the process to apply can be found at <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html> You have until October 2020 to file a claim.

**\$40,000 interest free, partially forgivable loan.**

If your club had T4 amounts of at least \$20,000 in 2019, your club is eligible for a \$40,000 loan. This loan is interest-free until December 31, 2022, and can be extended for an additional 3 years at an interest rate of 5% per annum. 25% of the loan is forgiven if it is paid by December 31, 2022.

It is a simple process to apply. All of the banks have a portal to apply. The cash is typically advanced within 5 business days.