

**Written Submission for the Pre-Budget Consultations in
Advance of the 2021 Federal Budget**



August 2020

Recommendations

1. CPB Canada recommends that the government expand CEBA requirements to deliver more flexibility for small businesses:
 - Allow sole proprietors operating a business through a personal bank account to access the program
 - Allow 'incorporated businesses' who use the loan to receive a bookkeeper's services while paying their invoices at a later date
 - Introduce an option for those who do not qualify for CEBA to access a smaller government-backed loan to bridge the gap into recovery
 - allow smaller businesses to access smaller loan amounts with a lower level of eligible non-deferrable expenses.

2. CPB Canada recommends that the Government allow an exception that allows sole proprietors to access the CEWS program, or any future wage subsidy program for employers, by allowing them to report net self-employment earnings.

About Certified Professional Bookkeepers of Canada (CPB Canada)

Certified Professional Bookkeepers of Canada (CPB Canada) is a member-based association, a national certifying body, and the leading professional and career development organization for bookkeepers in Canada. Created for bookkeepers, by bookkeepers, we are the largest and fastest-growing bookkeeping association in Canada. CPB Canada represents over 1500 members, over 900 certified professionals operating in 20+ regions.

Helping Canadian Small Businesses Bridge Through COVID-19

Certified Professional Bookkeepers (CPB's) were deemed an essential service by all provincial governments in the early stages of the COVID-19 pandemic. In the event of future waves of the virus, we anticipate the same will be true. This highlights the integral role bookkeepers play in supporting businesses. Whether self-employed or working for a business directly, bookkeepers helped businesses understand and adapt to new programs and supports. At the same time, many bookkeepers lost business themselves, and/or had clients who were unable to pay their fees for bookkeeping services, yet they faced challenges accessing government supports due to inflexible program design.

Bookkeepers across Canada have worked behind the scenes during the pandemic, in communities small and large, to ensure Canada's small and medium sized businesses have the support they need to weather the pandemic. This includes helping SMEs access critical supports such as the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Business Account (CEBA) and the Canadian Emergency Response Benefit (CERB).

While supporting these efforts, our members issued millions of Records of Employment (ROE's), helped develop business survival strategies with their clients, interpreted legislation and programs to ensure their clients are well informed, and worked unbillable hours just to help small businesses keep up with the constant government reform of programs. We have worked hard to ensure as many SMEs as possible are able to continue operating and contributing to the Canadian economy. Bookkeepers' support will not stop there, we are vital to facilitating the resumption of business and economic growth over the months ahead as Canada adjusts to the new normal. This is especially true as businesses re-opening continue to benefit from a mix of programs designed to facilitate their success.

Bookkeepers are proud to serve Canadians in this capacity, but it has not been easy. Many bookkeepers report struggling to stay afloat, and concerns remain about the viability of client businesses in an array of sectors.

Support for Bookkeepers

Despite the essential role bookkeepers played, and continue to play, during the pandemic, many of the businesses they serve continue to face economic headwinds. Whether they serve as contractors, or are employed directly, many anticipate precarity over the coming years. Bookkeepers help businesses manage their revenues and expenses—but their clients may not be able to keep them on staff or contracted in the immediate term. For the first four months of the pandemic, most bookkeepers were shut out of accessing CEWS, CEBA and CERB. We are calling on the government to prioritize flexibility in adjustments to existing programs and the design of any new measures. These steps will not only help bookkeepers' clients, but also the profession directly. The following recommendations are aimed to achieve this.

Economic recovery will depend on the recovery of small businesses and the millions of jobs they support. Bookkeepers will play a crucial role in helping businesses weather the challenges to come, while preserving output and employment. We depend on flexibility for our own business continuity, but also so our clients can grow with confidence over the years to come.

1. Extending the CEBA Requirements to Support Sole Proprietors and Small Businesses

The legislation for the Canada Emergency Business Account (CEBA) states that in order to qualify for the \$40,000 account, the business must have an active business chequing/operating account with the Lender, which is its primary financial institution.¹ This requirement causes a major issue for sole proprietors, as many do not operate using a business account, but rather they operate their business through a personal account. Bookkeepers are hugely affected by this restriction, approximately 50% of CPB Canada's membership are sole proprietors.

On June 15th, the government of Canada announced changes to the CEBA program which included directly allowing sole proprietors to gain access to the program who had previously been ineligible due to their lack of payroll, receiving business income directly, or through dividends.² While CPB Canada applauds the government for this change, the CEBA requirements still entail that sole proprietors must have a business bank account in order to receive the loan. This creates a significant gap in access to this critical support. In Canada, there is no requirement for sole proprietors to have a business bank account³ and no policy guidance has been given as to why this program should therefore require one. Thousands of hard-working small business owners who would benefit from support are being left without access due to reasonable business decisions they made before the pandemic began. In fact, according to a recent survey, 50% of bookkeepers specifically do not qualify for CEBA due to this oversight.⁴ Without having the ability to apply for CEBA, our profession faces a roadblock that other sectors do not face. We are expected to remain open to support our clients in keeping the economy running and into recovery, while our capacity to access supports remains limited. This requirement must be amended to support businesses who have, for a second time, fallen through the cracks.

As partners in business success, bookkeepers are aware of another challenge facing many small businesses regarding the CEBA program. Businesses that operate from homes tend to incur fewer costs than other enterprises. It has been noted that the \$40,000 threshold for eligible non-deferrable expenses is too high for these businesses, making it impossible for them to access the support offered by the program. This can be true for sole proprietors and even some incorporated businesses. To ensure quick recovery for business, and the economy as a result, enhanced flexibility is needed for businesses of all sizes. The best opportunity to support this group of low-overhead small businesses, would be to allow a lower threshold of eligible expenses, paired with a lower loan amount.

¹ <https://ceba-cuec.ca/>

² <https://www.canada.ca/en/department-finance/news/2020/06/more-small-businesses-can-soon-access-the-canada-emergency-business-account.html>

³ <https://www.canada.ca/en/revenue-agency/services/tax/businesses/small-businesses-self-employed-income/setting-your-business/sole-proprietorship.html>

⁴ COVID-19 Survey to Small Business and Self-Employed Accounting Services Industry Edition, QuickBooks Backing You

CPB Canada recommends:

That the government expand CEBA requirements to:

- a. allow sole proprietors operating a business through a personal banking account to access the program***
- b. allow 'incorporated businesses' to access the loan to receive a bookkeeper's services while paying their invoices at a later date***
- c. introduce an option for those who do not qualify for CEBA to access a smaller government-backed loan to bridge the gap into recovery***
- d. allow smaller businesses to access smaller loan amounts with a lower level of eligible non-deferrable expenses; CPB Canada recommends the threshold for non-deferrable expenses be reduced from \$40,000 to \$20,000.***

2. Making the Wage Subsidy Work for More Small Businesses

By covering 75% of employee's wages, the Canada Emergency Wage Subsidy (CEWS) Program has been a critical lifeline for Canadian businesses. However, within the requirements of the wage subsidy, it is stated that the business must have an operating CRA payroll account as of March 15, 2020.

This requirement causes a substantial gap for small businesses including sole-proprietors, contractors, or any other self-employed individual. In December of 2019, according to Statistics Canada, these factors described 2.9 million businesses in Canada. Many of these owner-managers pay themselves through their profit after applicable tax, or through dividends.⁵ Bookkeepers who are self employed and do not require a payroll often choose this path.

Limited access of sole proprietors to the CEWS program is represented clearly in the program take-up numbers. In fact, 74% of accounting service businesses were ineligible, and 58% of accounting services with employees were also ineligible for the program.⁶ This includes 10% of certified bookkeepers who have been unable to access the program.

In order for bookkeepers and other small businesses without payroll to survive, the Canadian government must open up the supports that all other business have access to. CPB Canada recommends:

That the Government allow an exception for sole proprietors who do not have a payroll account to access the CEWS program by allowing them to report net self-employment earnings.

⁵ <https://financialpost.com/opinion/millions-of-canadians-will-fall-through-the-cracks-in-ottawas-new-income-supports>

⁶ COVID-19 Survey to Small Business and Self-Employed Accounting Services Industry Edition, Quickbooks Backing You