HAMILTON & ROSENTHAL
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

Dividend Remuneration to Small Business Owners and Needed Changes to the CERB *Canadian Emergency Response Benefit*

The "**CERB"** Canadian Emergency Response Benefit program became Law this last weekend. The Government's Covid-19 programs to date offer relief for employers paying wages and for individuals receiving wages *(or self employment income).* However, Bill C-14 **excluded** addressing the needs of Incorporated owner/operators who remunerate themselves with Dividends. This is a serious oversight by the Government and offers no **concrete** relief for many of our clients.

Although this wasn't addressed in the recently passed Legislation, it is still noted in the Q&A section on CRA's website at the following link:
https://www.canada.ca/en/services/benefits/ei/cerb-application/questions.html

Question: If I am in receipt of dividends am I eligible for the Canadian Emergency Response Benefit?

Answer: Yes, as long as the dividends are non-eligible dividends *(generally, those paid out of corporate income taxed at the small business rate)*. An individual could count this income towards the $5,000 income requirement to be eligible for CERB.

If you are needing assistance from the CERB, our thoughts are that you could apply even though you are remunerated by Dividends based on this Q&A. There is no certainty as to whether CRA will accept Dividends under this CERB program as it was not included in Bill C-14, which is the Law.

For clarity, these are the main differences between Dividends and Wages:

- Wages are a deduction in determining Corporate taxable income.
- Wages are subject to monthly source deductions *(Canada Pension Plan & Income Tax).*
- Wages allow the recipient eligibility for further RRSP contributions.
- Dividends are an after-tax distribution of Corporate Profit.
- Dividends are not subject to Canadian Pension Plan or Income Tax withholdings.
- Dividends do not allow the recipient further eligibility to make RRSP contributions.

Why many incorporated owner/operators chose remuneration by Dividend rather than Wages:

- The ever-increasing cost of Canada Pension Plan, (*CPP being 10.5% to the owner operator).*
- To avoid the monthly payroll remittance requirements when cash flow is scarce, inconsistent and/or uncertain.
- Providing for the future is not a priority. Priority is given to being able pay current expenditures rather than putting scarce funds towards CPP or RRSP's for their retirement.

Thank you,

Hamilton & Rosenthal

Chartered Professional Accountants LLP

HAMILTON & ROSENTHAL
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

Mission Square Building
210, 2424 - 4 St SW, Calgary, AB T2S 2T4
Phone: (403) 266-2175
Direct: (403) 514-2202
Fax: (403) 514-2211
www.hamrose.com