



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Fall Economic Statement 2020 (FES 2020). A list of the PBO's cost estimates of components of the FES 2020 can be viewed on [its website](#).

Publication Date:	2021-01-28
Short Title:	Expansion of the Canada Emergency Business Account (CEBA)
Description:	Expanding the maximum amount of the CEBA loan from \$40K to \$60K and extending the CEBA eligibility to Canadian businesses who haven't been operating from a commercial banking account.

The Canada Emergency Business Account, launched in March 2020, provides interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help them cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus. To qualify for this program, these organizations need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019. The program is implemented by banks and credit unions in collaboration with Export Development Canada.

The eligibility criteria of the CEBA was expanded in May 19, 2020 to include sole proprietors receiving income directly from their businesses, businesses that rely on contractors, and family-owned corporations that pay employees through dividends rather than payroll. To qualify under that version, applicants must have payroll lower than \$20,000 and demonstrate that they have:

- a business operating account at a participating financial institution
- a Canada Revenue Agency business number and have filed a 2018 or 2019 tax return.
- eligible non-deferrable expenses between \$40,000 and \$1.5 million.

Eligible non-deferrable expenses could include costs such as rent, property taxes, utilities, and insurance.

As of December 4, 2020, the maximum amount of the CEBA loan has been increased from \$40K to \$60K for all eligible, previous and new, applicants. New applicants are eligible businesses who haven't been operating from a commercial banking account. These businesses are now able to apply after opening a business chequing/operating account with their primary financial institution. Approved CEBA applicants will now receive up to \$60,000 and all applicants have until March 31, 2021, to apply for the \$60,000 CEBA loan or a \$20,000 expansion. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 33.33% (up to \$20,000).¹

¹ The 33% of the \$60,000 is composed of 25% of the \$40,000 and 50% of the additional \$20,000.

Data Sources:	Variable	Source
	Number of eligible businesses	Statistics Canada
	Interest rate	PBO economic model
	The default rate on payment	Business Development Bank of Canada
	Maximum amount of the loan	Department of Finance
Estimation and Projection Method:	<p>The number of eligible businesses was estimated using Statistics Canada data. All eligible companies are assumed to participate in the program. The interest rate estimate was based on projections in the PBO economic model, consistent with the Economic and Fiscal Scenario published on September 29, 2020. The default rate on payment was calculated using the historical data on loans in default of the Business Development Bank of Canada. The entire amount of loan was assumed to be granted in 2020-2021 and all businesses, except those in default, are assumed to pay back their loan on or before December 31, 2022.</p> <p>The government interest cost was equal to the total amount of the loan times the interest rate. The provision for default was equal to the total amount of the loan times the estimated default rate on payment. The loan forgiveness cost was calculated as the sum of the 25% of the first repaid portion of the loan (\$40,000) and 50% of the second repaid portion (\$20,000). The total cost for the government was the sum of the interest cost, the provision for default and the loan forgiveness cost.</p>	
Sources of Uncertainty:	The number of businesses that will apply to the program and the share of those that will pay it back on or before December 31, 2022 is uncertain.	
Prepared by:	Eskandar Elmarzougui <eskandar.elmarzougui@parl.gc.ca>	

Cost of proposed measure

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total cost	20,263	-	-	-	-	-

Supplementary information

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Cost						
Total cost of the CEBA loans	20,263	-	-	-	-	-
Cost recovery						
	-	-	-	-	-	-
Total cost after recovery	20,263	-	-	-	-	-

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
- "-" = PBO does not expect a financial cost.