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## Recording new COVID-19 measures in the national accounts

The Canada Emergency Relief Benefit (CERB) and the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses were two major federal government assistance programs launched at the beginning of the COVID-19 pandemic. The CERB's last pay period covered August 30 to September 26, 2020, while that of the CECRA was the month of August 2020.

With the termination of CERB, the federal government announced changes to the Employment Insurance (EI) program. For those who do not qualify for EI benefits and still need assistance, the government launched three new measures: the Canada Recovery Benefit (CRB), the Canada Recovery Caregiving Benefit (CRCB), and the Canada Recovery Sickness Benefit (CRSB).

As for rent subsidy, the Canada Emergency Rent Subsidy (CERS) took effect immediately after the expiration of CECRA.

### Canadian Emergency Relief Benefit (CERB) replacements

The CERB is being replaced by the following.

- Canada Recovery Benefit (CRB).** The CRB gives income support of \$1,000 (\$900 after taxes withheld) for a period of 2 weeks to a maximum of 13 periods (26 weeks) available between September 27, 2020 and September 25, 2021. This is available to those who, due to COVID-19, are not employed or self-employed or those who have experienced at least a 50% reduction in average weekly income and who are not eligible for Employment Income (EI) benefits. Furthermore, for the week(s) for which an individual is applying to receive the CRB, he/she did not apply for or is not receiving any of the CRCB, CRSB, short-term disability benefits, EI benefits or the Québec Parental Insurance Plan (QPIP) benefits. The individual must have earned at least \$5,000 as total employment income or as net self-employment income or as maternity and parental benefits from EI or similar QPIP benefits, in 2019, 2020 or in the 12 months prior to the application date, must not have quit his/her job or reduced working hours voluntarily on or after September 27, 2020, must be seeking work during the period and has not turned down reasonable work during the 2-week period he/she is applying for. The CRB is taxable. In addition, claimants will need to repay \$0.50 of the CRB for every dollar of net income above \$38,000 in the calendar year up to a maximum of the benefit received. The Office of the Parliament Budget Officer (PBO) estimates total net cost of this measure, at annual rates, at \$12.853 billion in 2020/2021 and \$5.087 billion in 2021/2022.
- Canada Recovery Caregiving Benefit (CRCB).** The CRCB, available from September 27, 2020 to September 25, 2021, provides \$500 per week (\$450 after taxes withheld) to those who are employed and self-employed who are unable to work at least 50% of their scheduled work week because they must care for their child under 12 years old or a family member who needs supervised care because of the following reasons: a) the unavailability or closure of their school or daycare or day program or care facility due to COVID-19; b) unavailability of their regular care services; c) the person under the worker's care is sick with COVID-19 or has symptoms of COVID-19 or is at risk of serious health complications if they get COVID-19 or is self-isolating due to COVID-19. To be eligible, the worker must not, for the same period, receive CRB, CRSB, short-term benefits, EI benefits or the QPIP benefits and must have earned at least \$5,000 as total employment income or as net self-employment income or as maternity and parental benefits from EI or similar QPIP benefits. The worker is the only person in his/her household applying for the benefit for the week. An individual must apply for the CRCB for each week being applied for and may apply for a maximum of 26 weeks during the eligibility period. Like the CRB, the CRCB is taxable. The PBO's estimated total net cost of this measure, at annual rates, is \$1.188 billion in 2020/2021 and \$214 million in 2021/2022.
- Canada Recovery Sickness Benefit (CRSB).** The CRSB is one of the three measures introduced after the expiration of CERB to help those who do not qualify for EI and need assistance. This measure provides \$500 per week (\$450 after taxes withheld) to those unable to work because they are sick or need to self-isolate due to COVID-19, or have an underlying health condition that puts them at greater risk of getting COVID-19. The eligibility period for CRSB is a specific 1-week period. An individual can apply for a maximum of 2 weeks, with the application for a second eligibility period done separately, between

September 27, 2020 and September 25, 2021. The 2 weeks do not have to be taken consecutively. To be eligible for CRSB, an individual must be unable to work at least 50% of the scheduled work week because he/she contracted or may have contracted COVID-19, or has been advised to self-isolate due to COVID-19 or has been advised to self-isolate due to an underlying health condition that puts him/her at a greater risk of getting COVID-19. In addition, the individual earned at least \$5,000 as total employment income or as net self-employment income or as maternity and parental benefits from EI or similar QPIP benefits in 2019 or 2020 or in the 12 months prior to the application date and is not applying for or receiving, for the same period, the CRB or the CRCB or short-term benefits or EI benefits or QPIP benefits. The individual cannot claim CRSB at the same time he/she is on employer-provided sick leave. The CRSB amounts are taxable. The PBO estimates total net cost of CRSB at \$599 million in 2020/2021 and \$550 million in 2021/2022.

The CRB, CRCB, and CRSB will be treated as new transfer payments to households. Federal government current transfers to households will increase and government disposable income will be reduced in the Income and Expenditure Accounts and Government Finance Statistics; current transfers from government to households and household disposable income will increase by the same amount. Government final consumption expenditure (FCE) and gross domestic product (GDP) at market prices are not directly affected. These three new measures are taxable so federal current transfers from households and current transfers paid by households to government in the form of income tax will increase in the Income and Expenditure Accounts and Government Finance Statistics. Consequently, the net increase in household disposable income from these measures will be less than the gross amount of benefits paid.

In the case of the CRB, a recipient may have to repay a portion of benefits received to a maximum of the benefits received in the year when the income tax reports are filed. The amounts repaid will not be included in taxable income. This will be reconciled in the T1 tax return and the repayment will be included in the recipient's total payable. In the system of national accounts, this will be netted against government transfers to households.

## Canada Emergency Rent Subsidy (CERS) and Lockdown Support (LS)

For Canadian businesses, non-profit organizations, or charities whose revenue dropped due to the COVID-19 pandemic, the CERS and LS provide subsidies to cover part of their commercial rent or property expenses, starting on September 27, 2020, until June 2021. These measures will provide payments directly to qualifying renters (without the participation of landlords) and property owners. Those eligible for CERS could also qualify for the top-up LS if the business location is significantly affected by a public health order for at least a week.

To be eligible for the CERS, an entity must have a CRA business number on September 27, 2020, or had a payroll account on March 15, 2020; it must have had a drop in revenue and must have eligible expenses. There is no required minimum drop in revenue required to qualify for the subsidy.

The CERS provides businesses, non-profit organizations and charities up to 65% subsidy on eligible property-related expenses, to a maximum of \$75,000 in eligible expenses per location and a maximum of \$300,000 in expenses for the claimant and any affiliated entities per claim period. The LS may cover up to 25% of eligible expenses per affected location for the days the public health order was in place. There is no maximum for the top-up subsidy. Eligible expenses (defined in the legislation as “qualifying rent expense”) include commercial rent, property taxes (including school taxes and municipal taxes), property insurance, and interest on commercial mortgages/hypothecs (subject to certain limits) for a qualifying property, less any subleasing revenues. Any sales tax (e.g., HST/GST) component of these costs is not an eligible expense. Eligible expenses must be paid pursuant to written agreements entered into before October 9, 2020—or pursuant to the renewal (on substantially similar terms of such an agreement) and must be in respect of a qualifying property (i.e., generally, real property located within Canada used by the eligible entity in the course of its ordinary activities).

The CERS and LS paid to businesses will be treated as subsidies on production (i.e., subsidies on the factor of capital). On the income side of GDP found in the Income and Expenditure Accounts, the amounts will be reflected in the component “Taxes less subsidies on production”.

While both the Canada Emergency Commercial Rent Assistance (CECRA) and CERS are rent assistance programs and are both subsidies, CECRA is treated in the national accounts as a subsidy on products, not as a subsidy on production. CECRA, which was paid to landlords, was a program aimed to reduce the price of the product (i.e., commercial rent) charged by landlords, hence the treatment as a subsidy on product. CERS and LS aim to assist renters and property owners in covering their costs of production, specifically the factor of capital, regardless of what is being produced or how much, hence the treatment as a subsidy on production.

The CERS and LS paid to non-profit institutions will be reflected as government transfer to non-profit institutions.