



## Critical steps for dealerships to navigate the COVID-19 crisis

With news about the global COVID-19 pandemic continually evolving, business owners are understandably confused and worried. There are immense risks amidst the disruption we are all experiencing — but also new opportunities to serve your customers and position your company for post-pandemic success.

This is a crucial time for dealerships to navigate carefully and position themselves for accelerated success when the current crisis has passed. With many showrooms closing and customers confined to their homes, there will be pressure on business liquidity.

### Prevent a cash flow crisis

Right now, cash flow really is king.

Demand for your products or services hasn't ceased; it has shifted and will likely be deferred. The first step to adapt to this dramatic shift is to identify potential impacts to cash flow. Then you can take appropriate action to manage potential problems.

Using your sales forecasts as a guide, prepare weekly cash flow forecasts for at least the next three to eight months. This will help you understand your cash flow needs and determine how long your business can continue without burning through your working capital.

### Develop key supplier and customer engagement strategies

Identify all the customers and vendors who represent critical accounts. Reach out to those customers to understand how their needs have shifted.

To preserve cash, manage payables carefully — prioritizing important strategic vendors when timing payments. For others, discuss flexible or extended payments. Cut any unnecessary spending and delay any capital expenditures. Consider selling or leasing assets that are not needed.

Be aware and diligent about who you are extending credit to. Communicate often and negotiate periodic payments from customers whose receivables have started to age.

### Adjust financing agreements

Consider whether it makes sense to increase financed inventory. Connect with your lender to see whether debt covenants can be altered or waived in the short-term. See what deferral programs or opportunities to alter curtailment schedules your lender is offering.

Most dealerships also have a line of credit available. Consider what your available rates are and draw upon the one with the lowest rate first.



## Tap into government support programs

Now's the time to maximize government grants, credits and other financial or worker support opportunities for your business. However, keep in mind many of these measures are a deferral only and payment will come due eventually. Plan for the eventual payment in your cash flow forecasting.

The federal government announced new economic stabilization measures as part of its COVID-19 Economic Response Plan. These measures will provide direct support to Canadian workers and businesses. Some of the key measures for Canadian companies include:

**Temporary wage subsidies for workers** — The government will provide a temporary wage subsidy to eligible employers for up to three months, retroactive to March 15, 2020. The subsidy will apply at a rate of 75 percent of the first \$58,700 normally earned by an employee — representing a benefit of up to \$847 per week.

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**Tax payment deferrals** — The Canada Revenue Agency (CRA) is allowing all businesses to defer the payment of corporate income tax amounts owing on or after March 18, 2020. Further information on these deferrals can be [found here](#).

CRA is also allowing a deferral on payments of the GST/HST until June 30, 2020. The deferral will apply to GST/HST remittances for the February, March and April 2020 reporting periods for monthly filers and the January 1, 2020 through March 31, 2020 reporting period for quarterly filers. For annual filers, deferral will apply to the amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of their current fiscal year.

No interest or penalties will accumulate on these amounts during this period. As well, the CRA will not contact small or medium businesses to initiate any post-assessment GST/HST or income tax audits for the next four weeks. Business owners should consider using this tax relief to preserve cash flow or build capacity as needed.

**New Business Credit Availability Program (BCAP)** — Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) will provide additional financing to businesses facing economic challenges caused by COVID-19. More information is [available here](#).

**Provincial and other support** — Each province has developed their own support measures. Many jurisdictions have announced property tax deferrals. These programs are subject to change as are all the programs mentioned above, as new information becomes available.

A full list of property tax deferrals by region can be [found here](#).

To stay up to date on the current programs available, visit your relevant provincial website. Your MNP advisor can also provide information regarding appropriate provincial, territorial and municipal COVID-19 supports for businesses and help you access relevant programs.

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### **B.C.**

The B.C. government is allowing employers to defer health tax payments for any businesses with a payroll over \$500,000. They are also extending the tax filing and payment deadlines for PST, carbon tax, motor fuel tax and tobacco tax until September 30, 2020.

### **Alberta**

The Government of Alberta is deferring until August 31, 2020 the collection of corporate income tax balances and instalment payments due after March 19, 2020.

Private sector employers can defer Workers Compensation Board (WCB) premiums until early 2021. For small and medium businesses, the government will cover 50 percent of the WCB premium when it is due.

### **Saskatchewan**

Saskatchewan businesses who are unable to remit their PST due to cashflow concerns will have relief from penalty and interest charges. Businesses that are unable to file their provincial tax returns by the due date may submit a request for relief from penalties and interest charges on the affected returns.

The province announced a crown utility interest deferral program waiving interest on late bill payments for up to six months. They are also establishing a response team that will work with businesses to identify provincial and federal program supports.

### **Manitoba**

The Province of Manitoba will extend the April and May filing deadlines for small- and medium-sized businesses with monthly remittances of no more than \$10,000. Businesses will have up to two additional months to remit retail sales taxes.

### **Ontario**

The Government of Ontario has announced a new website that will help businesses and their employees work with the province to meet the challenges of COVID-19. This will include financial planning and advice for small businesses that can be delivered online at low-cost — including advice about relief programs and how to apply. They are also providing immediate electricity rate relief for individuals and small businesses paying time-of-use (TOU) rates.

The province is cutting taxes through a proposed temporary increase in the Employer Health Tax (EHT) exemption. Further, they are providing five months of interest and penalty relief for businesses to file and make payments for the majority of provincially administered taxes — including deferral of Workplace Safety and Insurance Board (WSIB) payments for up to six months.

### **Quebec**

Quebec has announced they will give \$2.5 billion into business with liquidity problems caused by the COVID-19 pandemic. They will be offering loans and loan guarantees of a minimum of \$50,000.

Quebec will allow businesses to postpone until June 30 their declaration and payments in respect of QST rebates planned for March 31, April 30 and May 31.

### **Atlantic Canada**

In New Brunswick, WorkSafeNB is deferring premiums for businesses for three months. The government will also defer loan and interest repayments for existing business loans with government departments for up to six months on a case-by-case basis. Businesses can request deferrals by contacting the department that issued the loan.

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Our [COVID-19 Business Advice Centre](#) is updated daily with new information and insights for business to navigate the ongoing crisis. For more information, contact Sean Kosior, CPA, CA at 306.790.7939 or [sean.kosior@mnp.ca](mailto:sean.kosior@mnp.ca)

