

Canada Emergency Business Account: Government extends repayment and partial loan forgiveness deadlines

On September 14, 2023, the Prime Minister announced extended deadlines for Canada Emergency Business Account (CEBA) loan repayments, providing an additional year for term loan repayment, and additional flexibilities for loan holders looking to benefit from partial loan forgiveness of up to 33 per cent.

The CEBA program was available from April 9, 2020, to June 30, 2021, and provided \$49 billion in interest-free, partially forgivable loans of up to \$60,000 to nearly 900,000 small businesses and not-for-profit organizations to help cover their operating costs during the pandemic.

The repayment deadline for CEBA loans to qualify for partial loan forgiveness of up to 33 per cent is being extended from December 31, 2023, to January 18, 2024, recognizing that the end of December is a busy time for many Canadian businesses. This builds on the government's previous one-year extension announced in January 2022.

For CEBA loan holders who make a refinancing application with the financial institution that provided their CEBA loan by January 18, 2024, the repayment deadline to qualify for partial loan forgiveness now includes a refinancing extension until March 28, 2024. This will allow more small businesses and not-for-profits to access relief and give them more time to hear back from their financial institutions on refinancing applications.

As of January 19, 2024, outstanding loans, including those that are captured by the refinancing extension, will convert to three-year term loans, subject to interest of five per cent per annum, with the term loan repayment date extended by an additional year from December 31, 2025, to December 31, 2026. Put simply, small businesses and not-for-profits will automatically have access to a three-year, low-interest loan of up to \$60,000 if they have not repaid or refinanced their loan. This will provide those who are unable to secure refinancing or generate enough cashflow to repay their loans by the forgiveness deadline an additional year to continue repayment at a low borrowing cost.

Repayment on or before the new deadline of January 18, 2024 (or March 28, 2024 if a refinancing application is submitted prior to January 18, 2024 at the financial institution that provided their CEBA loan), will result in loan forgiveness of \$10,000 for a \$40,000 loan and \$20,000 for a \$60,000 loan.

Here are examples of how CEBA loan holders can benefit from new repayment flexibility:

- Sarah and Nick need to pay off their \$40,000 CEBA loan, but are unable to pay the full amount in time to benefit from \$10,000 in partial loan forgiveness. On January 19, 2024, their loan converts to a three-year term loan with five per cent interest per year. They will make monthly interest payments of around \$167 per month, and will only be required to pay their principal amount just before the term loan repayment deadline of December 31, 2026.
- Doug applies for \$40,000 in financing from the bank that provided his CEBA loan to pay off his \$60,000 CEBA loan. He is unable to receive a response to his refinancing application by January 18, 2024. However, with the new refinancing extension, he has until March 28, 2024, to hear back from his bank and secure new financing to pay off his CEBA loan and benefit from \$20,000 in partial loan forgiveness.

Financial institutions will contact CEBA loan holders directly regarding their loans.

The above changes also apply to CEBA-equivalent lending through the Regional Relief and Recovery Fund.