

April 22, 2020

Mr. Michael Murray  
Executive Director  
Toronto Musicians' Association, Local 149 American Federation of Musicians  
500-15 Gervais Drive  
Toronto, ON  
M3C 1Y8

Dear Michael:

**Re: The Canada Emergency Response Benefit and Self-Employed Members**

The purpose of this letter is provide answers to questions relating to the Canada Emergency Response Benefit (the "CERB") and members of the Toronto Musicians' Association (the "Association") who are self-employed contractors (the "Members"). Specifically, the letter will address:

- A. When to recognize revenue towards the \$1,000 limit
- B. Impact on HST

**A. When to Recognize Revenue Towards the \$1,000 Limit**

There is understandable confusion about how to account for income with respect to the \$1,000 limit (the "Limit"). On Service Canada's website, the eligibility criteria states "you cannot have earned" more than the Limit, while the CRA's website says "you do not expect to receive" more than the Limit. We are advising clients to follow the CRA for two reasons:

1. if reviews and audits of CERB recipients are done at some point, it will be by the CRA, and
2. their wording is less subjective.

However, if a Member is **filing for a benefit period retroactively, actual amount of self-employment income received** during that period should be used.

You provided two situations where there was confusion about recognizing revenue, being:

- gig cancellation fees, and
- guarantee payments.

**Gig Cancellation Fees**

In our opinion, cancellation fees should be counted towards the Limit for a benefit period when **actually received** unless a Member is basically **certain the amount will be received** because of a legally binding contract, agreement, etc.

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### Example

Member A had been contracted for a studio session on April 29, 2020 that was cancelled due to COVID-19. The contract stipulated a \$250 cancellation fee to be paid by May 15, 2020. It's May 8, 2020 and Member A, who wants to apply for the CERB for the May 10 to June 6, 2020 benefit period, received an email from the studio stating the fee will be e-transferred on May 12.

In this example, Member A has an unambiguous contract and assurance from the payer. The \$250 should be counted as self-employment income when applying for the May 10 to June 6, 2020 period.

If the contract had uncertainty, such as the amount of the fee is to be negotiated, a due date for payment is not specified, or the payer expressed doubts about payment, Member A could exclude the amount until actually received.

### **Guarantee Payments**

Members should apply the same method for guarantee payments as for cancellation fees.

### **B. Impact on HST**

The CERB is considered government assistance. Government assistance received is not subject to GST/HST unless a good or service is provided as consideration for it (ex: a university receiving funding to set up a lab for cancer research). Therefore, Members **do not have to include CERB payments in their revenue** for GST/HST purposes and **do not self-assess 13%** on the amounts received.

If you have any other questions regarding the CERB or any of the other economic measures announced, please do not hesitate to get in touch.

Yours truly,

*Hogg, Shain & Scheck PC*

Hogg, Shain & Scheck Professional Corporation, CPAs

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