



The Canada Emergency Business Account ("CEBA") loans were given to assist businesses that were shut down due to the Covid pandemic, to help finance contractual commitments and/or salaries. These loans had a component that was forgivable (ie. didn't have to be repaid) but only if a certain amount was repaid by December 31, 2022. That deadline was later extended to December 31, 2023. Recently, many advocacy groups have been requesting that the government extend the deadline again. On September 24th, 2023, the government announced an extension, but not what people were expecting.

Here is a summary of the 3 possible options right now and the consequences:

Action	Qualify for the forgiveness component	Interest charged
1 - Repay the CEBA loan by January 18 th , 2024,	YES	N/A
2 - File a refinancing application with the same bank that granted the CEBA loan, by JANUARY 18 th , 2024, AND repay by March 28 th , 2024.	YES	YES, but only from January 19 th , 2024, up until the loan is repaid, which can be no later than March 28 th , 2024
3 - Do not meet either of the above two situations	NO	YES

We suspect that extending the repayment deadline by a couple of weeks to January 18th, 2024, was to allow many businesses to benefit from the holiday season to boost sales and collections to help repay the loan. It also would help banks deal with the crunch of many businesses applying for refinancing to repay the CEBA loan right during the holiday period.

Note that if someone can't repay the loan by January 18th, 2024, they can only qualify for forgiveness if they meet 3 criteria:

- (i) apply for refinancing by January 18th, 2024; and
- (ii) the application is made with the same bank that issued the CEBA loan in the first place; and
- (iii) the CEBA loan will be repaid by March 28th, 2024.

As of January 19th, 2024, any outstanding CEBA loan will be converted into a 3-year loan with a 5% interest rate. So, if the above 3 criteria are met, there will still be some interest due on the January 19th to March 28th (at the latest) period. Unfortunately, if the business does not apply for refinancing, or their refinancing is rejected such that they cannot repay the loan by March 28th, 2024, the **forgiveness on the CEBA loans will be lost** and the full principal of the loan will bear the 5% interest rate. The interest must be paid monthly. The capital can be repaid at any time if the loan is fully repaid **by December 31, 2026**. This is an extension of one year to pay, since original loans that were not repaid on time, were to convert to a loan repayable by December 31, 2025.

Be careful, it is not just a repayment deadline of March 28th, 2024. To qualify for forgiveness by repaying by March 28th, 2024, there must be a refinancing application filed, with the same bank that granted the CEBA loan, by no later than January 18th, 2024. We don't have further details at this moment, but hopefully, it wouldn't matter who ultimately funded the March 28th, 2024, repayment, if the application to the same bank was made for refinancing by January 18th, 2024. We will see if any further details emerge in the next few months.

