



Ward & Uptigrove
Veterinary Advisory Group

Navigating the Financial Implications of the COVID-19 Crisis

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Your Success Is Our Business

About Us



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Today's Agenda

1. Veterinary Industry Landscape – Essential Service
2. Case A: Vet Clinic with less than a 30% decline in revenue
3. Case B: Vet Clinic with more than a 30% decline in revenue
4. Key Takeaways
5. Appendix - Resources



Impacts on Veterinary Clinics

1. Large Animal: Dairy herd and Feed lot management, (cow-calf, swine and veal industries) with limited Equine
 - Revenue not negatively impacted, even a moderate increase in overall services and pharmacy revenues. Equine practices have seen a decrease.
2. Mixed Animal: Dairy Herd and/or Feed lot management & Companion small animal -- (multi-species practices)
 - Revenue currently stable with moderate short term increases especially on the small animal side as clients have “stock-piled” foods and pharmacy refills.
 - Long term, large animal facility likely to sustain overall revenue enough to not qualify for most economic measures
3. Small animal: Companion
 - Significant expected revenue decrease and disruption in business
 - Government economic measures will be utilized



Veterinary Industry

- List of Essential Workplaces
 - Most provinces list vet practices as essential in some capacity
<https://www.cfib-fcei.ca/en/tools-resources/regulation-and-red-tape/covid-19-is-your-business-an-essential-service>
 - Ontario: # 11 - Veterinary services (urgent care only) and other businesses that provide for the health and welfare of animals, including farms, boarding kennels, stables, animal shelters, zoos, aquariums and research facilities.
 - Urgent care restriction
 - Different impact on large animal vs. small animal
 - Curb side medicine or tele-medicine
- Labour Market: Low supply of RVT's and in some regions low supply of DVM's
- Seasonality
 - Not seeing a lot of March revenue declines (increase in food & medicine stock up sales)
 - Upcoming Heartworm season



Case A: Less than a 30% decline in revenue

Generally will continue business as usual, but can still take advantage of some government assistance

- **Temporary Business Wage Subsidy**
 - 10% of wages from March 18-June 19/20 for eligible businesses
 - Calculated to reduce income tax deductions at source, cannot use to reduce CPP/EI remittances
 - Tax Templates [Calculator](https://www.taxtemplates.ca/wage-subsidy/) (Subscribe at www.taxtemplates.ca/wage-subsidy/)
- **Canada Emergency Business Account** - \$40,000 Interest Free Loan
- Defer WSIB*, EHT*, income tax & HST payments
- Employer Health Tax Exemption* on first \$1M of payroll (if payroll <\$5M)

* Ontario measure



Case A: HR implications



- Employees may request leaves of absence for COVID-19 related impacts ex. childcare, self-isolation
 - Employer may decide at 10%-29% reduction of hours to implement **Work Sharing** agreement
 - 3 way agreement between Employer, Employees and Service Canada
 - Employee Work Units (i.e. all RVTs) equally reduce work hours, remain working but with less hours, claim EI for the missing hours
- <https://www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html>

Case B: More than a 30% decline in revenue

Review projections/estimates and make an open / close decision

Sample Case Study B1: Small Animal Practice, Owner is projecting a 35% drop in April, May & June monthly revenue, decided to keep the clinic open

- 1 DVM Owner, Full Time Equivalent Operator
- 2 DVM Full Time Equivalent Associates –
 - \$595,000/DVM – Practice total revenue = \$1,785,000
 - 2 Associate DVM full time salary of \$95,000/year
- 5 Full Time Equivalent RVTs (1.25 to 1.5 RVT to DVM clinic ratio)
 - \$22.00/hr, 2,080 hrs/year
 - \$880.00 pay per week at 40 hours



Case B1: Measure Available

Canada Emergency Wage Subsidy of 75% (currently proposed, not legislated) requires:

- Employer attests that an at least a 30% drop in revenue (arm's length) compared to the same monthly period in 2019
 - Claiming period, made each month
 - March 15 to April 11 based on March 2020 over March 2019 revenues
 - April 12 to May 9 based on April 2020 over April 2019 revenues
 - May 10 to June 6 based on May 2020 over May 2019 revenues
- Calculate revenue using “normal accounting method”
 - Excluding extraordinary items and capital amounts
- Significant penalties for those who try to take advantage of the system



Case B1: Employee Decisions

What to do about 2 Associate FTE DVMs?



Option A) Decide to lay one off?

- Laid off employees applies for Canada Emergency Response Benefit (CERB)
 - \$500/week compared to normal pay of \$1,827/week
- What happens when business rebounds?
- How to choose one of the two?

Case B1: Employee Decisions

(Associate DVM – Continued)

Option B) Keep both on staff with both working reduced normal hours

- Apply for 75% Canada Emergency Wage Subsidy for both
 - Leave wage at 100%
 - Normally paid \$1,827/week
 - Subsidy would be \$847 – employer cost of \$980/week
 - Reduce wage to \$847/week
 - Subsidy is still \$847 (not 75% of \$847 due to formula)
 - Employer cost is essentially \$NIL (just CPP & EI) and associate \$347/week ahead of \$500 alternative on CERB
- Work Sharing Arrangement
- Alternate ways to provide services?



Case B1: Employee Decisions (continued)

What to do about 5 RVT FTE's?

Option A) Decide to lay some off

- Those laid off would apply for **CERB**
- What happens when business rebounds?
- How to choose which are laid off?
- Risk of losing valuable employees

Option B) Keep all staff with 100% pay

- Apply for 75% **Canada Emergency Wage Subsidy** for all 5 RVT's
 - RVTs keep getting paid \$880.00/week regardless of amount worked
 - Subsidy of \$660.00/week per RVT – cost is \$220/week to clinic
- Able to work differently – telehealth?



Case B1: Employee Decisions (continued)

What to do about 5 RVTs? (continued)

Option C) Keep all staff with reduced pay – say to 80%

- Apply for 75% **Canada Business Wage Subsidy** for all 5 RVT's
 - Wages reduced to \$704/week
 - Subsidy from government of \$660
 - Employer tops up additional 5% = \$44/week
 - \$176 less than 100% pay scenario (\$220/week), BUT is that difference worth the risks of the pay decrease?
 - RVT still better off as get \$704/week compared to \$500 on CERB
 - Attest that business doing everything possible to pay full wages
 - Reduce work hours to equally share the remaining work amongst the team



Case B1: Business Measures

- **Canada Emergency Business Account** - \$40,000 Interest Free Loan for Business
- Employer Health Tax Exemption* on first \$1M of payroll (if payroll <\$5M)
- Defer WSIB*, EHT*, income tax & HST payments
- Communication with banker
 - Line of Credit Bulge?
 - Deferral of existing loan obligations?



* Ontario measure

Case B1: HR implications

- Keep employee as “whole” as possible, for as long as possible
 - Reduce constructive dismissal risks
 - Employment Agreements
- Temporary Layoffs (CERB) vs reduction of hours (Wage Subsidy and/or Work Sharing)
- Ensure defensible process (Human Rights)



Case B2: More than a 30% decline in revenue

Sample Case Study B2: Owner is projecting a 50% drop in monthly revenue in May & June, decided to close the clinic

- Lay off employees
 - Employees apply for CERB
- Discussion with landlord regarding rent obligations
- Discussion with bankers about existing debt obligations
- Owner eligible for CERB
 - \$5,000 income requirement is met even if only compensating with non-eligible dividends
- HR implications: Temporary layoff risks / valuable employees find work elsewhere



Key Takeaways

- Assess now how April, May and June will look for your clinic
- Ensure you are only providing “essential services”
 - Are there different ways to service your clients (i.e. telehealth)
- Try to keep employees on payroll
 - Long term tight labour market tightness
 - Able to ramp back up quickly
- There will be significant penalties for misuse / abuse
- Communicate with your accountant, banker and legal advisor
 - Obtain all available credit in case of extended period of slow down



Usage Notes

- Legislation and program creation required and / or in progress for many measures discussed; details may change.
- The information provided in this presentation does not constitute business advice. It is provided for illustration purposes only.
- Your specific situation and eligibility must be reviewed on a case by case basis.



Appendix: Ward & Uptigrove Resources

- Monitoring and updating information as it becomes available
 - wardanduptigrove.com/covid-19
 - Employer FAQ wardanduptigrove.com/employerFAQ
- Dedicated inquiry email: COVID-19@w-u.on.ca



Appendix: Government program links

Canada's COVID-19 Economic Response Plan

- www.canada.ca/coronavirus

Canada Emergency Response Benefit application and link to Q&A

- Canada.ca/coronavirus-cerb

Income Tax Extensions

- canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html





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Thank you!



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