

## Note

# Extension of repayment deadline and interest-free period for CEBA loans



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Extending the deadline to repay Canada Emergency Business Account (CEBA) loans from December 31, 2023 to January 18, 2024; extending the interest-free period until that same deadline; and, granting a further grace period for repayment to March 28, 2024 for CEBA loan holders that submit a refinancing loan application to the financial institution that provided their CEBA loan by January 18, 2024.

Businesses must repay their loans by the deadline in order to receive partial loan forgiveness. After the deadline, outstanding loans will convert to three-year term loans, subject to interest of five per cent per annum.

The PBO estimates that this extension will cost \$52 million.

## 5-Year Cost

**\$ millions**

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Total cost	52	0	0	0	0	52

## Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

## Estimation and Projection Method

The PBO assumes that all CEBA loan holders will enjoy 18 additional days of interest-free loans. This means that for different shares of the loan balance Canada will either delay a reduction in its debt (for the portion of loans that would have been repaid), suffer no net impact (for the portion of loans that would have been forgiven), or forgo interest at the 5 per cent per annum rate (for the portion of loans that would have been left outstanding). The share of debts that will be repaid was estimated based on a Statistics Canada survey of CEBA loan holders' repayment intentions and assuming that loan holders qualify for loan

forgiveness of 33 percent of their loan value. The interest cost from the delayed reduction in debt was estimated based on the average interest rate for Canada's market debt.

### **Sources of Uncertainty**

The cost would be lower if CEBA loan holders repay by or before the original deadline. The interest cost of the delayed reduction in debt depends on the extent to which delayed repayment results in either avoided new borrowing or a reduction in existing borrowing. While there was no evidentiary basis to assess that the extension would increase or decrease the share of loan holders who make sufficient repayments to qualify for forgiveness, even a slight increase in the share of loans forgiven would dwarf the costs identified in this estimate.

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### **Data Sources**

#### **CEBA Outstanding Balance**

[2022 Public Accounts of Canada](#)

#### **Interest Rates**

PBO Economic Model (Fall 2023 EBO)

#### **CEBA Repayment Intentions**

Statistics Canada, [Survey of the Canada Emergency Business Account](#)

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