

HAMILTON ROSENTHAL

CHARTERED PROFESSIONAL ACCOUNTANTS LLP



Update on the Canada Emergency Wage Subsidy

Over the weekend, Bill C-14 received Royal Assent and became law. This Bill formalizes the terms of the Canada Emergency Wage Subsidy program (the “**CEWS**”) which is intended to help employers retain their employees during the Covid-19 crisis. The **CEWS** program provides a 75% wage subsidy to eligible employers for up to 12 weeks for the period between March 15th to June 6th, 2020.

To determine which employers and employees are eligible for the **CEWS** program, review the steps below:

Step 1: Are you an eligible employer?

- Individuals (sole proprietors with employees)
- Canadian corporations (with employees)
- Partnerships owned by eligible employers (with employees)
- Non-profit organizations and registered charities (with employees)

Step 2: Do you have eligible employees?

- An eligible employee is an individual who is employed **other than those who have been without remuneration for 14 or more consecutive days during the eligible periods (see below)**

Step 3: Non-arms length employees

Family members must have been on payroll before March 15th, 2020 and received remuneration between January 1st to March 15th, 2020. After the fact planning could be construed as misrepresentations or fraudulent.

Step 4: How much wage subsidy can you receive?

There is no upper limit to an employer regarding the amount of subsidy it can receive. The amount of subsidy is calculated on a per employee basis.

- Existing arm's length employees (not related) the least of:
 - 1) 75% of pre-crisis weekly remuneration
 - 2) current weekly remuneration paid
 - 3) \$847 per week

- New hired arm's length employee (*not related*) the lessor of:
 - 1) current weekly remuneration paid
 - 2) \$847 per week
- Non-Arm's length employees (*related*) the least of:
 - 1) 75% of pre-crisis weekly remuneration per week
 - 2) current weekly remuneration paid
 - 3) \$847 per week

Step 5: How do you apply?

The application can be done through *My Business Account* portal on CRA's website:

<https://www.canada.ca/en/revenue-agency/services/e-services/cra-login-services.html>

An eligible employer can submit the claim anytime during the duration of the program up until September 30th, 2020.

Step 6: Within eligible periods, are you qualified?

| | <i>Remuneration paid in the following periods:</i> | <i>Required revenue reduction:</i> | <i>Revenue reference period:</i> |
|----------|---|---|--|
| Period 1 | <i>March 15 - April 11th</i> | <i>15%</i> | <i>March 2020 compared to either:</i> <ul style="list-style-type: none"> - March 2019 or - Average of January and February 2020 |
| Period 2 | <i>April 12 - May 9th</i> | <i>30%</i> | <i>Eligible for Period 1:</i> <p style="text-align: center;">OR</p> <i>April 2020 compared to either:</i> <ul style="list-style-type: none"> - April 2019 or - Average of January and February 2020 |
| Period 3 | <i>May 10 - June 6th</i> | <i>30%</i> | <i>Eligible for Period 2:</i> <p style="text-align: center;">OR</p> <i>May 2020 compared to either:</i> <ul style="list-style-type: none"> - May 2019 or - Average of January and February 2020 |

Step 7: Do you have qualified revenue?

- Revenue must be earned in Canada from arm's-length sources,
- Revenue does not include extraordinary items
- Once an accounting method is chosen (Accrued or Cash), it must be used across the duration of the program
- Special rules apply for companies who earn non-arm's length revenue
- Affiliated groups can compute revenue on a consolidated basis

Step 8: After you apply ...

Documentation must be properly maintained and retained to support any CEWS program claim in the event of future CRA audits. Punitive penalties may be imposed on misrepresentations or fraudulent claims. The employer will be required to repay the amount received under the **CEWS** program if they do not meet the eligibility requirements. Furthermore, penalties levied could be as high as 225% of the benefit claimed and imprisonment could be sought.

Currently the funds have not yet been released and may take up to another month before available.

You also need to know:

- The 10% wage subsidy is still available. However, any benefit received from the 10% subsidy will be a reduction of the **CEWS** program in the same period.
- Work-Sharing program is still available. However, any EI benefit received by employees through the program will be a reduction of the **CEWS** program.
- 100% refund of CPP and EI up to \$124 per week if the employees are on leave with pay
- the employer also qualified for **CEWS** program for these employees

Due to the complexity of the **CEWS** programs, there are still questions without answers as each case is different.

References:

<https://www.parl.ca/DocumentViewer/en/43-1/bill/C-14/royal-assent>

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

<https://www.moodystax.com/bill-c-14-the-75-canada-emergency-wage-subsidy/>