

# Additional Details Of Canada Emergency Wage Subsidy Program (Questions And Answers)



We have previously published articles regarding the government's efforts to assist Canadian businesses by providing an Emergency Wage Subsidy Program (CEWS), which prior articles can be located [here](#) and [here](#). On April 11, 2020, Parliament passed legislation to put in place the modifications to the CEWS previously announced on April 8 and 9. With these added details, we felt it might be easier to digest the program specifics in this format.

## **Q: What is the Canada Emergency Wage Subsidy Program?**

A: In summary, the CEWS provides employers an incentive to keep their employees employed during the current COVID-19 crisis. CEWS is available to virtually all businesses whose revenues have dropped by at least 15% in March, 30% in April and 30% in May, and provides for a subsidy of up to 75% of eligible remuneration paid to employees, to a maximum of \$847 per employee per week. Currently, the subsidy period runs from March 15 to June 6, 2020, but can be extended by the Government, as needed, for additional periods up to September 30, 2020.

## **Q: Which businesses are eligible to apply?**

A: Individuals, taxable corporations, partnerships consisting of eligible employers, non profit organizations and registered charities are eligible for the benefit if they have suffered a loss in revenue of at least 15% in March 2020, 30% in April 2020 and 30% in May 2020. Applicants are required to attest that they qualify when applying for the subsidy. At the end of each Claiming Period (see the table below), the individual who has principal responsibility for the financial activities of the business will be required to attest to the completeness and accuracy of the application submitted.

## **Q: How is the revenue decline to be calculated?**

A: Generally, revenue will consist of cash, receivables or other consideration from the sale of goods or services, but excludes extraordinary items, wage subsidies received under the CEWS program (or other relief programs) and amounts from persons or partnerships not dealing at arm's length with the business.

Revenues can be calculated using either the accrual or the cash method, so long as this is consistently applied. Also, affiliated groups are able to compute revenue on a consolidated basis, if they choose to do so.

Special rules apply to permit a business whose revenues are wholly or mostly reliant on a related entity to incorporate the revenue reduction in the related party's revenues to compute their own revenues for the purpose of complying with eligibility requirements. Furthermore, registered charities and non-profit organizations can choose whether or not to include revenues from government sources when calculating revenues, so long as the same approach is used for each calculation.

With reference to the table below, a qualifying business must compare its revenue for each calendar month during the period in which the CEWS is available against the revenues earned by the business during the same month last year, or at its option, against the average revenues from January and February of this year. The option chosen must be used for all Claiming Periods applied for.

Businesses that qualify for the CEWS in any Reference Period automatically qualify for the next Reference Period regardless of whether the revenue reduction requirement is satisfied for that next Reference Period or not. For example, if a business satisfies the 15% revenue reduction requirement for March 2020, then that business may claim for the CEWS benefit in relation to employee remuneration paid by it during the periods March 15 – April 11 and also April 12 – May 9.

Claiming Period	Required Reduction in Revenue	Reference Period for Eligibility
March 15 – April 11	15%	March 2020 over: – March 2019 or – Average of January and February 2020
April 12 – May 9	30%	April 2020 over: – April 2019 or – Average of January and February 2020
May 10 – June 6	30%	May 2020 over: – May 2019 or – Average of January and February 2020

**Q: How much can be claimed?**

A: There is no overall limit on how much an eligible business can receive under the CEWS. For each of the Claiming Periods, as set out in the table above, a qualifying business can receive for each employee remunerated by the business the following amounts:

Employee Type	Amount Available (per week)
Arms' length employee whose remuneration has not been decreased	75% of eligible remuneration actually paid, to a maximum of \$847

Arms' length employee whose remuneration has been decreased by more than 25%	The amount of eligible remuneration actually paid, to a maximum of \$847
Arms' length employee whose remuneration has been decreased by 25% or less	75% of baseline remuneration (average weekly remuneration paid between January 1 – March 15, 2020), to a maximum of \$847
Non-arms' length employee	The amount of eligible remuneration actually paid, 75% of baseline remuneration or \$847 (whichever is less)

Eligible remuneration excludes retiring allowances, stock option benefits or amounts that could reasonably be expected to be paid or returned to the employer or a related party of the employer. Amounts paid in excess of baseline remuneration for the purpose of increasing the benefit payment are not eligible.

**Q: Do all employees of a business qualify for the CEWS?**

A: All employees are eligible who are individuals employed in Canada by the business during the qualifying period, unless the employee did not receive remuneration for 14 or more consecutive days during the Claiming Period. Non-qualifying employees are still eligible to receive the Canada Emergency Response Benefit (CERB) of up to \$2,000 per month.

**Q: What if I've already laid-off employees?**

A: Those employees can continue to apply for and receive the CERB. There is no mandated requirement to re-hire employees who have been laid off, but the Government has stated that one objective of the CEWS is to encourage businesses to rehire employees. If employees are rehired but cannot work (thus, being on paid leave), the CEWS allows the business to claim, in addition to the amounts set out above, 100% of the CPP and EI contributions paid by the qualified business in respect of such employees, providing an added incentive to rehire employees.

**Q: How does a business apply for the CEWS?**

A: A business can apply for the CEWS through the Canada Revenue Agency's *My Business Account* portal as well as a web-based application (which is still under development). The business must keep records demonstrating revenue reductions, as claimed, and remuneration paid to employees. More details will be made available in future.

**Q: What if I've already applied or received a subsidy under the previously announced temporary 10% wage subsidy?**

A: The CEWS that a qualified business is entitled to receive will be reduced by any amounts received under the 10% temporary wage subsidy program announced in March 2020.

By Joe Conte of Pallett Valo LLP