

Canada Emergency Wage Subsidy (CEWS)



Created in response to COVID-19, the Canada Emergency Wage Subsidy (CEWS or subsidy) provides savings to employers through a subsidy equal to 75% of employee wages on the first \$58,700 per employee, up to a maximum of \$847 per week, with no overall maximum for the employer.

Who is eligible for the CEWS?

The CEWS will be available to employers that meet the definition of an “eligible entity”:

1. An individual (i.e., sole proprietorships)
2. A taxable corporation
3. A registered charity, other than a public institution
4. A non-profit organization, other than a public institution
5. A partnership, all of the members of which are described in 1-4, or
6. A prescribed organization.

The term “Public institution” is also defined and would include municipalities, local governments, Crown corporations (both federal and provincial), public universities or colleges, schools, school boards, hospitals and health authorities, among others.

How does an eligible entity qualify for the CEWS?

When the CEWS was first introduced, it required a decrease in monthly revenues of 30% as compared to the same month in the previous year for March, April and May. Since then, the government has made key changes to this requirement. Depending on the choices made by the employer with respect to revenues, it could impact their ability to qualify for the subsidy. Considerations need to be made in the following areas:

- Compare revenues to prior year or Jan and Feb, 2020
- Entity-by-entity basis or consolidated;
- Cash method vs Accrual;
- The effect of revenues from related parties;
- How to determine the amount of revenues earned “in Canada.”

Some of these items are discussed in this section, and the rest in the section thereafter.