

# 13 Things You Need to Know about the Newly Revised Canada Emergency Wage Subsidy (CEWS)



The federal government recently revised the Canada Emergency Wage Subsidy (CEWS). Here are the 13 things HR directors need to know to help their companies take advantage of the CEWS.

## 1. What the CEWS Is

The idea is to encourage employers to keep active employees on the payroll and bring back employees who are already on layoff due to COVID-19 by providing a wage subsidy equal to the greater of:

- 75% of the amount of eligible remuneration paid, up to a maximum of \$847 per week per employee; and
- The amount of eligible remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee's pre-crisis weekly remuneration, whichever is less.

### Eligible Remuneration

#### Does Count as Remuneration

Salary

Wages

Other remuneration like taxable benefits

#### Doesn't Count as Remuneration

Severance pay

Stock options

Personal use of corporate vehicle

The subsidy amount for non-arm's length employees is limited to eligible remuneration paid in any pay period between March 15 and August 29, 2020, up to whichever of the following is the smallest:

- \$847 per week;
- 75% of the employee's baseline remuneration; and
- The amount of eligible remuneration actually paid to the employee for that week.

To calculate baseline remuneration, you can use either of the following periods:

- January 1 to March 15, 2020; or

- March 1 to May 31, 2019.

In either case, you must exclude any period of 7 or more consecutive days without remuneration. There's no limit on the aggregate CEWS amount an employer may claim.

## **2. Which Employers Are Eligible for the CEWS**

Employers eligible for the CEWS include individuals, taxable corporations, partnerships between eligible entities, non-profit organizations (NPOs), registered charities and other entities exempt from Part I tax such as unions, regardless of size and sector. Recent changes also extend eligibility to:

- Partnerships that are up to 50% owned by non-eligible members;
- Certain indigenous government-owned corporations and partnerships;
- Registered Canadian Amateur Athletic Associations;
- Registered Journalism Organizations; and
- Non-public colleges and schools, including arts, driving, language, flight and other schools offering specialized services.

## **3. Which Employees Are Eligible for the CEWS**

"Eligible employees" basically means an individual employed in Canada, except for employees without remuneration for a 2-week period during the qualification period.

## **4. The CEWS Revenue Loss Eligibility Threshold**

To be eligible for the CEWS, an employer must attest to and be able to demonstrate a drop in "qualifying revenue" of at least 15% for March 2020, and at least 30% for April and May 2020. CRA has yet to specify the revenue drop thresholds that will apply to the 3 new eligibility periods. There are two reference periods employers can use to demonstrate the necessary revenue drop in the above months:

- A year-over-year comparator, i.e., March 2020 vs. March 2019, April 2020 vs. April 2019 and May 2020 vs. May 2019; or
- An average of revenue earned in January and February 2020.

## **5. How to Calculate "Qualifying Revenue"**

Qualifying revenue for the subsidy includes revenue the employer earned in Canada from arm's length sources, calculated using the employer's normal accounting method, which may be cash or accrual but not a combination of the 2 methods. As with the revenue loss reference period described above, employers must select an accounting method when first applying for the CEWS and stick with it for as long as they participate in the program.

## **6. The Top Up Rules**

According to the government, employers are expected to "at least make best efforts to bring employees' wages to their pre-crisis levels." Pre-crisis remuneration is based on the average weekly remuneration paid to the employee between January 1, 2020 and March 15, 2020, or March 1 to May 31, 2019, in either case excluding any period of 7 or more consecutive days for which the

employee didn't receive remuneration.

## 7. The Payroll Remittance Rules

In addition to the base subsidy, the CEWS will cover 100% of employer-paid contributions to EI, CPP, QPP and QPIP for eligible employees who are on paid leave. Employers should continue to collect and remit employer and employee contributions to each program as usual and apply for the refund when they apply for the CEWS base subsidy. This refund won't be subject to the weekly maximum benefit of \$847 per employee.

## 8. How Long the CEWS Will Last

The program was originally supposed to be available for 12 weeks from March 15 to June 6, 2020, but has been extended an additional 12 weeks to August 29, 2020. There are 6 qualifying periods. Rule: Once an employer is found eligible for a specific period, it automatically qualifies for the next period without having to re-apply—although it remains unclear if that rule will apply to Period 4.

CEWS Qualifying Period & Criteria		
Claim Period	Required Revenue Decline	Reference Period for Eligibility
Period 1 March 15 to April 11	15%	March 2020 compared to either: *March 2019 OR *Average of Jan + Feb 2020 >Eligible for Period 1, OR
Period 2 April 12 to May 9	30%	>April 2020 compared to either: *April 2019 OR *Average of Jan + Feb 2020 >Eligible for Period 2, OR
Period 3 May 10 to June 6	30%	>May 2020 compared to either: *May 2019 OR *Average of Jan + Feb 2020
Period 4 June 7 to July 4	Not yet specified	June 2020 compared to either: *June 2019 OR *Average of Jan + Feb 2020 >Eligible for Period 4, OR
Period 5 July 5 to August 1	Not yet specified	>July 2020 compared to either: *July 2019 OR *Average of Jan + Feb 2020 >Eligible for Period 5, OR
Period 6 August 2 to August 29	Not yet specified	>August 2020 compared to either: *August 2019 OR *Average of Jan + Feb 2020

Source: Finance Canada

## 9. The Layoff Recall Rules

While employers are expected to make best efforts to recall or re-hire employees on COVID-19 layoff, full recall is not a condition for CEWS eligibility. However, remember that CEWS payments aren't available for employees without remuneration from their employer for any period of 14 or more consecutive days during a qualifying period. Employers who want the employee to count can put the

employee back on payroll without actually requiring him/her to perform work, e.g., the employee would be treated as having a paid leave of absence.

#### **10. How to Apply for the CEWS**

The application form is available on the CRA's *My Business Account* online portal.

#### **11. The Interplay between the CEWS and CERB**

The government wants employers to rehire employees as soon as possible and then apply for the CEWS. Meanwhile, the government is considering an approach to limit duplication between the CEWS and new Canada Emergency Response Benefit (CERB), which could involve creating a process for individuals rehired by their employer during the same eligibility period could use to cancel their CERB claim and repay that amount.

#### **12. The Interplay between the CEWS and Work Sharing**

EI benefits received by employees via the Work Sharing program will reduce the benefit that their employer may receive under the CEWS.

#### **13. The Taxation of CEWS Monies**

Any wage subsidies that employers receive will be considered government assistance that must be included in the employer's taxable income. Assistance received under the CEWS or 10% wage subsidy for small businesses will also reduce the remuneration expenses eligible for other federal tax credits calculated on the same remuneration.