Government Extends CEWS Ahead of Phase Out



Public corporations with highly paid executives will also have to repay their CEWS subsidies.

The newly proposed 2021 federal budget includes a number of key changes to the Canada Emergency Wage Subsidy (CEWS). Here are the 5 things HR directors need to know.

1. Extension of CEWS Until September 25

As expected, the government has once more extended the CEWS, which was due to expire on June 5, to September 25, 2021.

2. Gradual Reduction of CEWS Subsidy Rate

Currently, the maximum combined CEWS wage subsidy and top-up subsidy for active employees 75%. In an effort to phase out the program, the government will begin to gradually reduce the rate starting with Period 18, which starts July 4:

- Period 18 (July 4 to July 31, 2021): 60%;
- Period 19 (August 1 to August 28, 2021): 40%;
- Period 20 (August 29 to September 25, 2021): 20%.

3. 10% Loss Threshold

As of July 4, only employers with a revenue decline of over 10%, as measured against the applicable reference period, will be eligible for the wage subsidy.

4. New Canada Recovery Hiring Program (CRHP)

Even as the CEWS sunsets, employers will be eligible to receive a new CRHP subsidy of up to 50% on incremental revenue paid to eligible employees between June 6 and November 6, 2021, as compared to baseline remuneration paid from March 14 to April 10, 2021. Eligible employers may claim either the CRHP or CEWS for a particular qualifying period, but not both.

5. New Claw-Back Duty to Repay CEWS Amounts

Publicly listed corporations with highly paid executives, that is, those whose specified executives' aggregate compensation for the 2021 calendar year is higher than it was during calendar year 2019, will have to start repaying their CEWS

subsidies, starting with Period 17 (June 5 to July 3, 2021). The repayment rate is whichever of the following is less:

- The total of all wage subsidy amounts received for active employees for qualifying Periods starting after June 5, 2021; and
- The amount by which the corporation’s aggregate specified executives’ compensation for 2021 exceeds its aggregate specified executives’ compensation for 2019.

The claw-back requirement to repay applies at the group level to wage subsidy amounts paid to any entity in the group.

No Changes to CEWS Subsidy for Furloughed Employees

The subsidy available for furloughed employees, and where the employer has suffered a revenue decline, will be extended until August 28, 2021, on terms that continue to parallel the Employment Insurance benefits that would be available to the employees.