

## The Canada Emergency Wage Subsidy

The Government of Canada is now offering two separate subsidy programs to businesses for a period of three months:

- **75%:** available to any eligible employer with a 30 per cent decrease in revenue drop.
- **10% subsidy:** available to all eligible employers. Businesses do not need to show a decline in revenue for this program.

Both subsidies are available, but businesses must choose to benefit from only one subsidy. An employer which qualifies for and applies for both subsidies (*i.e.*, an eligible CCPC with a 30 per cent drop in revenue) will see a reduction in the 75 per cent subsidy by the amount granted by the 10 per cent subsidy.

### 75% SUBSIDY

To help businesses keep and return workers to their payroll through the challenges posed by the COVID-19 pandemic, the Prime Minister, Justin Trudeau, proposed the new Canada Emergency Wage Subsidy. This would provide a 75-per-cent wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020.

This wage subsidy aims to prevent further job losses, encourage employers to re-hire workers previously laid off as a result of COVID-19, and help better position Canadian companies and other employers to more easily resume normal operations following the crisis. While the Government has designed the proposed wage subsidy to provide generous and timely financial support to employers, it was done with the expectation that employers will do their part by using the subsidy in a manner that supports the health and well-being of their employees.

### Eligible Employers

Eligible employers would include individuals, taxable corporations, and partnerships consisting of eligible employers as well as non-profit organizations and registered charities.

Public bodies would not be eligible for this subsidy. Public bodies include municipalities and local governments, Crown corporations, public universities, colleges, schools and hospitals.

**This subsidy would be available to eligible employers that see a drop of at least 30 per cent of their revenue** (see *Eligible Periods*). In applying for the subsidy, employers would be required to attest to the decline in revenue.

## Calculating Revenues

An employer's revenue for this purpose would be its revenue from its business carried on in Canada earned from arm's-length sources. Revenue would be calculated using the employer's normal accounting method, and would exclude revenues from extraordinary items and amounts on account of capital.

For non-profits and charities, the government will continue to work with the sector to ensure the definition of revenue is appropriate to their specific circumstances.

## Amount of Subsidy

The subsidy amount for a given employee on eligible remuneration paid between March 15 and June 6, 2020 would be the greater of:

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

Further guidance with respect to how to define pre-crisis weekly remuneration for a given employee will be provided in the coming days.

In effect, employers may be eligible for a subsidy of up to 100 per cent of the first 75 per cent of pre-crisis wages or salaries of existing employees. These employers would be expected where possible to maintain existing employees' pre-crisis employment earnings.

Employers will also be eligible for a subsidy of up to 75 per cent of salaries and wages paid to new employees.

Eligible remuneration may include salary, wages, and other remuneration. These are amounts for which employers would generally be required to withhold or deduct amounts to remit to the Receiver General on account of the employee's income tax obligation. However, it does not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.

A special rule will apply to employees that do not deal at arm's length with the employer. The subsidy amount for such employees will be limited to the eligible remuneration paid in any pay period between March 15 and June 6, 2020, up to a maximum benefit of \$847 per week or 75 per cent of the employee's pre-crisis weekly remuneration.

There would be no overall limit on the subsidy amount that an eligible employer may claim.

Employers must make their best effort to top-up employees' salaries to bring them to pre-crisis levels.

## Eligible Periods

Eligibility would generally be determined by the change in an eligible employer's monthly revenues, year-over-year, for the calendar month in which the period began. The amount of wage subsidy (provided under the [COVID-19 Economic Response Plan](#)) received by the employer in a

given month would be ignored for the purpose of measuring year-over-year changes in monthly revenues.

- For example, if revenues in March 2020 were down 50 per cent compared to March 2019, the employer would be allowed to claim the Canadian Emergency Wage Subsidy (as calculated above) on remuneration paid between March 15 and April 11, 2020.

The table below outlines each claiming period and the period in which it has a decline in revenue of 30 per cent or more.

### Eligible Periods

|                 | Claiming period     | Reference period for eligibility |
|-----------------|---------------------|----------------------------------|
| <b>Period 1</b> | March 15 – April 11 | March 2020 over March 2019       |
| <b>Period 2</b> | April 12 – May 9    | April 2020 over April 2019       |
| <b>Period 3</b> | May 10 – June 6     | May 2020 over May 2019           |

For eligible employers established after February 2019, eligibility would be determined by comparing monthly revenues to a reasonable benchmark.

### How to Apply

Eligible employers would be able to apply for the Canada Emergency Wage Subsidy through the Canada Revenue Agency's *My Business Account* portal as well as a web-based application. Employers would have to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees. More details about the application process will be made available shortly.

### Ensuring Compliance

In order to maintain the integrity of the program and to ensure that it helps Canadians keep their jobs, the employer would be required to repay amounts paid under the Canada Emergency Wage Subsidy if they do not meet the eligibility requirements and pay their employees accordingly. Penalties may apply in cases of fraudulent claims. In addition, anti-abuse rules will be proposed to ensure that the subsidy is not inappropriately obtained and to ensure that employees are paid the amounts they are owed. The government is considering proposing to create new offences that will apply to individuals, employers or business administrators who provide false or misleading information to obtain access to this benefit or who misuse any funds obtained under the program. The penalties may include fines or even imprisonment.

## Interaction with 10 per cent Wage Subsidy

On March 18, 2020, the Prime Minister announced a temporary 10 per cent wage subsidy. For employers that are eligible for both the Canada Emergency Wage Subsidy and the 10 per cent wage subsidy for a period, any benefit from the 10 per cent wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in that same period.

## Interaction with the Canadian Emergency Response Benefit

An employer would not be eligible to claim the Canada Emergency Wage Subsidy for remuneration paid to an employee in a week that falls within a 4-week period for which the employee is eligible for the Canadian Emergency Response Benefit.

Employers who are not eligible for the Canada Emergency Wage Subsidy would still be able to furlough employees who will receive up to \$2,000 a month.

## Government Assistance

The usual treatment of tax credits and other benefits provided by the government would apply. As a consequence, **the wage subsidy received by an employer would be considered government assistance and be included in the employer's taxable income.**

Assistance received under either wage subsidy would reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

# 10% SUBSIDY

## What is the Temporary Wage Subsidy for Employers?

The Temporary Wage Subsidy for Employers is a three-month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency (CRA).

## Which employers are eligible?

You are an eligible employer if you:

- are a(n):
  - individual (excluding trusts),
  - partnership (see note below),
  - non-profit organization,
  - registered charity, or
  - Canadian-controlled private corporation (including a cooperative corporation) eligible for the small business deduction;

- have an existing business number and payroll program account with the CRA on March 18, 2020; and
- pay salary, wages, bonuses, or other remuneration to an eligible employee.

An eligible employee is an individual who is employed in Canada.

**Note:** Partnerships are only eligible for the subsidy if their members consist exclusively of individuals (excluding trusts), registered charities, or Canadian-controlled private corporations (CCPCs) eligible for the small business deduction.

## **How much is the subsidy?**

The subsidy is equal to 10% of the remuneration you pay from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per employer.

**Note:** Associated CCPCs will not be required to share the maximum subsidy of \$25,000 per employer.

## **How do I calculate the subsidy?**

The subsidy must be calculated manually, either by you or whoever is responsible for making your payroll remittances. The CRA will not automatically calculate the allowable subsidy.

**Note:** Your subsidy calculation is based on the total number of eligible employees employed at any time during the three-month period. See the examples below for more information.

### **Example 1**

## **How will I receive the subsidy?**

You do not need to apply for the subsidy.

You will continue deducting income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from salary, wages, bonuses, or other remuneration paid to your employees, as you currently do.

The subsidy is calculated when you remit these amounts to the CRA.

Once you have calculated your subsidy, you can reduce your current payroll remittance of federal, provincial, or territorial income tax that you send to the CRA by the amount of the subsidy.

### **Important**

You cannot reduce your remittance of CPP contributions or EI premiums. You must continue remitting the CPP contributions and EI premiums that you deducted from your employees, as well as your share of CPP contributions and EI premiums, to the CRA.

For example, if you deducted \$2,500 of income tax from your employees' pay and calculated a subsidy of \$2,050, you would reduce your current payroll remittance of federal, provincial, or

territorial income tax by \$2,050. You would remit \$450 of income tax to the CRA. The remaining \$2,050 that you keep would represent your subsidy.

You could continue reducing the income tax on future payroll remittances, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per employer, for all remuneration paid on or before June 19, 2020.

## **When can I start reducing payroll remittances?**

**You can start reducing payroll remittances of federal, provincial, or territorial income tax in the first remittance period that includes remuneration paid from March 18, 2020 to June 19, 2020.**

**Note:** Payroll remittances are not subject to deferral as part of the tax measures to help support those affected by the COVID-19 outbreak. You must continue remitting payroll deductions by your remittance due date.

For example, if you are a regular remitter, you can reduce your payroll remittance that is due to the CRA on April 15, 2020.

## **Where subsidies exceed payroll remittances**

If the income taxes you deduct are not sufficient to offset the value of the subsidy in a specific period, you can reduce future payroll remittances to benefit from the subsidy. This includes reducing remittances that may fall outside of the application period for the wage subsidy (after June 19, 2020).

For example, if you calculated a subsidy of \$2,050 on remuneration paid from March 18, 2020 to June 19, 2020, but only deducted \$1,050 of federal, provincial, or territorial income tax from your employees, you can reduce a future payroll remittance by \$1,000, even if that remittance is in respect to remuneration paid after June 19, 2020.

## **What if I don't reduce payroll remittances during the year?**

If you are an eligible employer, but choose not to reduce your payroll remittances during the year, you can still calculate the Temporary Wage Subsidy on remuneration paid from March 18, 2020 to June 19, 2020. At the end of the year, the CRA will pay the amount to you or transfer it to your next year's remittance.

## **What books and records do I need to support the subsidy?**

You will need to keep information to support your subsidy calculation. This includes:

- the total remuneration paid from March 18, 2020 to June 19, 2020;
- the federal, provincial, or territorial income tax that was deducted from that remuneration; and
- the number of eligible employees paid in that period.

The CRA is currently updating reporting requirements. More information on how to report this subsidy will be released in the near future.

### **Is the subsidy considered taxable income?**

Yes. If you receive the subsidy, you have to report the total amount as income in the year in which the subsidy is received.

### **What if my business is closed?**

If you did not pay salary, wages, bonuses, or other remuneration to an eligible employee from March 18, 2020 to June 19, 2020, you cannot receive the subsidy, even if you are an eligible employer.

### **What about payroll remittances made to Revenu Québec**

This Temporary Wage Subsidy for Employers allows eligible employers to reduce payroll remittances made to the CRA only.

### **What if I pay tax-exempt remuneration?**

If you pay tax-exempt salary, wages, bonuses, or other remuneration to an eligible employee, you can still calculate the Temporary Wage Subsidy on remuneration paid from March 18, 2020 to June 19, 2020. At the end of the year, the CRA will pay the amount to you.