

Canada Emergency Wage Subsidy

The Government is proposing to introduce a wage subsidy of 75 per cent wage for qualifying businesses, for up to 3 months, retroactive to March 15, 2020.

Eligibility Requirements

- Employers of all sizes and across all sectors of the economy would be eligible, with the exception of public sector entities.
- Eligible employers would include individuals, taxable corporations, and partnerships consisting of eligible employers as well as non profit organizations and registered charities.
- Eligible employers who suffer a drop in gross revenues of at least 30 per cent in March, April or May, when compared to the same month in 2019. (See below)

Details

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-profit organizations and registered charities similarly affected by a loss of revenue, the government will continue to work with the sector to ensure the definition of revenue is appropriate to their circumstances.

Amount of subsidy

- The Canada Emergency Wage Subsidy would apply at a rate of 75 per cent of the first \$58,700 normally earned by employees – representing a benefit of up to \$847 per week. The program would be in place for a 12-week period, from March 15 to June 6, 2020.
- An eligible employer's entitlement to this wage subsidy will be based entirely on the salary or wages actually paid to employees.
- All employers would be expected to at least make best efforts to top up salaries to 100% of the maximum wages covered.
- Eligible employers would be able to access the Canada Emergency Wage Subsidy by applying through a Canada Revenue Agency online portal. The application will need to be renewed on a monthly basis. Employers would have to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees. More details regarding how to apply for the program will follow.
- 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.

- Organizations that do not qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced wage subsidy of 10 per cent of remuneration paid from March 18 to before June 20, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.
- 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.
- 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 Period	Claiming period	Reference period for eligibility
Period 1	March 15 – April 11	March 2020 over March 2019
Period 2	April 12 – May 9	April 2020 over April 2019
Period 3	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.

Other Information

- Employers 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.
- 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.
- 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.
- The government is also considering additional support for non-profits and charities, particularly those involved in the front-line response to COVID-19. Further details will be announced in the near term.