

**CANADA EMERGENCY WAGE SUBSIDY – WHAT EMPLOYERS NEED TO KNOW
UPDATED APRIL 8, 2020**

On April 8, 2020, the Department of Finance released details of their proposed changes to the employer eligibility for the Canada Emergency Wage Subsidy (CEWS) as well as several related rules. As originally announced, the CEWS would reimburse eligible employers for up to 75% of salaries paid to employees between March 15, 2020 and June 6, 2020. Eligible employers would include individuals, taxable corporations, partnerships consisting of eligible employers, non-profit organizations and registered charities who experienced at least a 30% decline in revenue in March, April and May 2020 when compared to the same months in 2019.

The following proposed changes have been announced:

1. The required decline in March 2020 revenue has been reduced to 15% in recognition that the negative impact on Canadian business revenues occurred during that month. A 30% decline in April and May 2020 revenue is still required to be eligible for the CEWS for those months.
2. In computing the decline in revenue for March, April and May 2020, employers will be provided an alternative benchmark for comparison. They would be allowed to compare their monthly 2020 revenue to an average of January and February 2020 revenue instead of March, April and May 2019. While this was proposed to enhance the eligibility of employers whose 2019 revenues may have been low for other reasons (ie: the business may have started after February 2019), it is available to all employers. Thus, employers may choose between two comparison benchmarks. Once selected, the benchmark must be used for all subsequent CEWS applications.
3. In calculating revenues, employers will be allowed to choose the accrual or cash method of accounting. The accounting method would be selected on the first CEWS application and must be used consistently for subsequent applications.
4. Registered charities and non-profit organizations would be allowed to choose whether or not to include revenue from government sources in their calculation of revenue for purposes of the CEWS.
5. In addition to the CEWS, a refund of all employer contributions to CPP, EI, QPP and QPIP for employees who are on paid leave throughout a week, and as a result performed no work for the employer in that week, is now available. An application for this refund would be made when the CEWS application is submitted. There is no overall limit on this refund.

6. Each employer will have to designate a person within their organization having control over their finances. The employer will have to attest on each application that they meet the eligibility criteria. Employers who engage in artificial transactions to reduce revenue for purposes of the CEWS would be subject to a penalty of 25% of the CEWS claimed in addition to repayment of the CEWS. This equates to 125% of the CEWS claimed. Further fines and possibly imprisonment may apply to fraudulent claims.

Based upon the above, the following is an updated table of CEWS claim periods:

| | Claim Period | Required reduction in revenue | Benchmark for Comparison (must be consistently applied to all periods) |
|----------|----------------------|-------------------------------|--|
| Period 1 | March 15 to April 11 | 15% | March 2020 over: <ul style="list-style-type: none"> • March 2019 or • Average of January and February 2020 |
| Period 2 | April 12 to May 9 | 30% | April 2020 over: <ul style="list-style-type: none"> • April 2019 or • Average of January and February 2020 |
| Period 3 | May 10 to June 6 | 30% | May 2020 over: <ul style="list-style-type: none"> • May 2019 or • Average of January and February 2020 |

The government wishes to limit duplication between the Canada Emergency Response Benefit (CERB), whereby Canadians who experience Covid-19 related work stoppages can apply for a monthly benefit of \$2,000, and the CEWS. They are considering implementing a process whereby a worker would repay the CERB they received if they are rehired and receive salary for the same period.

Previously, an employer would not be eligible to claim the CEWS for remuneration paid to an employee for a week that fell within a 4 week period for which the employee was eligible for the CERB. This rule is replaced with a new restriction whereby claims will now be limited to employees that have not been without remuneration for more than 14 consecutive days in the eligibility period.

The above announcements were integrated into the government's CEWS webpage (<https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>).

WHAT THIS MEANS TO YOU

Revenue for the CEWS is only from arm's length sources. Concerns have been expressed by some employers that they use a centralized company to administer payroll for a related group of employers. Today's announcement did not address this concern.

Exact details of the CEWS will be included in draft legislation that is being developed and will require approval of the House of Commons. While the proposed changes announced today are welcome, many questions remain. These questions will only be answered when the legislation is passed into law.

However, there is no need for employers to delay in preparing for their first CEWS application. Areas that employers should review include:

- Decide if cash or accrual basis accounting would more advantageous in computing revenue.
- Compute average revenue for January and February 2020.
- Determine which revenue comparison benchmark is more advantageous to use: March, April and May 2019 or an average of January and February 2020.
- Compare your March 2020 revenue to the benchmark selected and determine if you are eligible to claim the CEWS for Period 1.
- If you are a registered charity or non-profit organization, determine if it is more advantageous for you to include or exclude revenue from government source in the calculation of revenue for the CEWS.
- Identify your employees who were on paid leave and compute the employer paid contributions to CPP, EI, QPP and QPIP. Be prepared to include this in your first CEWS application.
- Confirm if your company is registered for My Business Account. If not, consider registering now to facilitate the future application process. Current indications are that the application process will be through CRA My Business Account or through a web-based portal.

As always, we will continue to monitor these developments and keep you informed. We are here to assist you in preparing for your first CEWS application and to answer any questions you may have.