

THE CANADA EMERGENCY WAGE SUBSIDY(CEWS) WHAT YOU NEED TO KNOW TO QUALIFY

This questionnaire has been designed to assist our clients in making a preliminary determination of their eligibility for CEWS.

It is NOT a replacement for a thorough review and discussion of your circumstances, but it is our hope that it will help educate our clients about their eligibility.

In many cases your eligibility may require a detailed review of your situation in order to come to the correct conclusion. **As there are substantial monetary and criminal penalties for making a false claim, care should be taken when making a determination of eligibility.**

As always Hendry Warren LLP welcomes your questions and we will do our best to help you evaluate your eligibility.

ARE YOU AN ELIGIBLE ENTITY?

If you are a corporation, an individual, a registered charity, a non-profit organization, a partnership of eligible entities or other prescribed entity, you should proceed to the next question. If not, **stop**, as you are not eligible for CEWS.

DID YOUR QUALIFYING REVENUES FALL BY MORE THAN 15% IN MARCH 2020 VERSUS A BENCHMARK OF MARCH 2019, OR THE AVERAGE OF YOUR REVENUES FOR JANUARY AND FEBRUARY 2020? (SIMILARLY, 30% FOR APRIL, OR 30% FOR MAY)

There are a variety of ways that a decline in qualifying revenues can be measured. If you meet the remaining tests below and are uncertain about meeting this requirement, please refer to the detailed information related to the revenue test provisions at the end of this communication, and feel free to contact us for a detailed analysis of these revenue test provisions specific to your business.

If after review, your Qualifying Revenues have not fallen by the required amount, you are not eligible for that month, but you may be eligible in future months.

If your revenues have fallen by the required amount, proceed to the next question.

DO YOU HAVE ELIGIBLE EMPLOYEES?

Did you or will you employ one or more individuals in Canada during one of the following Qualifying periods:

- March 15 to April 11, 2020
- April 12 to May 9, 2020
- May 10 to June 6, 2020

Did the that eligible employee(s) have remuneration for 14 days or more in the respective period?

If yes, proceed to the next section. If no, **stop**, as you do not qualify.

DID YOU PAY ELIGIBLE REMUNERATION?

Did you pay one or more eligible employees' salary and wages, excluding retiring allowances and stock option benefits, within the above noted periods?

If yes carry on to the next section. If no, **stop**, you do not qualify.

DID THE ELIGIBLE EMPLOYEE RECEIVE BASELINE REMUNERATION BETWEEN JANUARY 1 AND MARCH 15, 2020?

Baseline remuneration is defined to be average weekly remuneration paid to the eligible employee from January 1 to March 15, 2020. **Dividends paid from January 1 to March 15, 2020 are not considered to be baseline remuneration.**

The subsidy calculation will, in part, be based on baseline remuneration. If the salary paid to an employee in one or more of the Qualifying Periods noted above exceeds the baseline, the excess may not be eligible for subsidy

If baseline remuneration is nil for all employees, **stop**, you do not qualify for CEWS. If baseline remuneration is nil for some employees, the CEWS may still be claimed on eligible remuneration to other employees.

DOES MORE THAN 10% OF YOUR REVENUE COME FROM ARMS LENGTH SOURCES?

If yes, continue, and apply for CEWS, if desired.

If no, please contact HW to discuss how your non-arm's length revenues will affect your eligibility.

If you answered yes to all of the questions above, you should be eligible for assistance under CEWS. Where that is not the case, clients are encouraged to have their conclusion evaluated by Hendry Warren LLP such that a thorough assessment of eligibility is undertaken.

CALCULATION OF QUALIFYING REVENUES

An employer's revenue for this purpose is its revenue in Canada earned from arm's-length sources. Revenue is calculated using the employer's normal accounting method and excludes revenues from extraordinary items and amounts on account of capital. Employers can calculate their revenues under the accrual method or the cash method, but not a combination of both. **Employers select an accounting method when first applying for the CEWS and are required to use that method for the entire duration of the program.**

For registered charities and non-profit organizations, the calculation includes most forms of revenue, excluding revenues from non-arm's length persons. These organizations can choose whether to include revenue from government sources as part of the calculation. Once chosen, the same approach applies throughout the program period.

Special rules for the computation of revenue are provided to consider certain non-arm's length transactions, such as where an employer sells all of its output to a related company that in turn earns arm's length revenue. As well, affiliated groups can compute revenue on a consolidated basis.

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

If you qualify for Period 1 you will automatically qualify for period 2. An assessment of eligibility for period 3 would be required.

If you qualify for Period 2 you will automatically qualify for period 3.