

Canada Emergency Wage Subsidy (CEWS) – Announced April 1, 2020

Further details and clarifications regarding the Canada Emergency Wage Subsidy (CEWS) available to qualifying businesses during the COVID-19 pandemic.

Subsidy Eligibility

- i) The CEWS is available to all businesses who have experienced a 30 percent reduction in gross revenue determined by comparing the gross revenue in business in the months of March, April or May, to the same month in 2019. Employer's revenue for this purpose is to be derived revenue from its business carried on in Canada earned from arm's-length sources.
- ii) Available to both large and small businesses, as well as charities and not-for-profit organizations. The subsidy is not available to public sector entities.
- iii) Eligible employers must attest and re-apply for the wage subsidy each month they have a 30 percent reduction in revenue compared to the same month in the prior year.
- iv) For eligible employers established after February 2019, eligibility would be determined by comparing monthly revenues to a reasonable benchmark- eg. previous month(s).

Subsidy Benefit

The CEWS benefit will be based on eligible remuneration paid between March 15 and June 6, 2020 and would be the greater of:

- 75 per cent of the amount of remuneration paid to each employee, up to a maximum benefit of \$847 per week.
- the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 per cent of each the employee's pre-crisis weekly remuneration*, whichever is less.
- Employers will also be eligible for a subsidy of up to 75 per cent of salaries and wages paid to new employees.

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

Eligible Remuneration

- may include salary, wages, other remuneration, and
- 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.

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.

Length of the Subsidy Program

The wage subsidy will be available to qualifying employers for a 12-week period, from March 15 to June 6, 2020. There is no overall limit on the amount of subsidy that an eligible employer may claim.

How to Apply

Eligible employers may apply online for the Canada Emergency Wage Subsidy

- through the Canada Revenue Agency's *My Business Account* portal as well as a web-based application Canada Revenue Agency (CRA) portal that is expected to be launched within the next week.
- Employers are required to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees.

Subsidy Funds Will Be Available

- Within approximately six weeks.
- Qualifying employers can expect the wage subsidy funds to be returned to them directly from the CRA.

Employer Will Be Required To Show:

- i) The pre-crisis income of the employee;
- ii) The actual earnings paid to the employee.

Compliance

In order to maintain the integrity of the program, the employer will 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,
- any claims are found to be fraudulent; penalties may apply,
- any abuse of the rules is found; anti-abuse rules will be proposed to ensure that the subsidy is not inappropriately obtained,
- employees are not paid the amounts they are owed.

The government is considering proposing 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.

Ineligible employers

Employers who do not qualify for the CEWS may continue to qualify for the previously announced wage subsidy of 10 percent of remuneration paid from March 18 to June 20, 2020, up to a maximum of \$1,375 per employee and \$25,000 maximum cap per employer.

Employers who are not eligible for the Canada Emergency Wage Subsidy will be able to layoff employees to receive up to \$2,000 a month under the previously announced Canada Emergency Response Benefit- CERB.

Employees cannot apply for the CERB if their employer is in receipt of the wage subsidy.