

FAQ: The Canadian Emergency Wage Subsidy

By Alessandro Perri

Due to COVID-19, many businesses are struggling to keep their workforce employed. The Canadian and Ontario Governments have been providing support to businesses to ensure the Canadian workforce remains active. We have developed a quick [reference guide](#) with all these initiatives.

To provide our clients and business partners with additional details about these programs, we are starting an article series that will expand on these programs. In the first article of this series, we reviewed the changes to the [Federal Work Sharing Program](#).

In this article, we explore the new Canadian Emergency Wage Subsidy (“CEWS”).

What is the CEWS?

On March 30, 2020, Prime Minister Justin Trudeau announced that businesses and non-profit organizations that have suffered a decline in revenues due to COVID-19 (see below for eligible reductions in revenue) will be eligible to receive a wage subsidy of up to 75% on the first \$58,700 that an employee earns, up to 12 weeks, retroactive from March 15, 2020 to June 6, 2020.

This translates to \$847 per week per employee, which greatly exceeds the amounts provided for under the Federal employment insurance program.

I am an employer. Am I eligible to apply?

The CEWS applies to all employers, including individuals, trusts, all taxable corporations, not-for profits, charities and partnerships, no matter the size, provided they have experienced an eligible reduction in revenue and have had a CRA payroll account on March 15, 2020.

Public institutions, like municipalizes and local governments, Crown corporations, public universities, colleges, schools and hospitals, are not eligible for the subsidy.

I am an eligible employer. Do I meet the revenue reduction requirement?

To receive the subsidy, employers must determine whether their reduced revenue makes them eligible for the subsidy in a particular period. For example, to receive the subsidy between March 15, 2020 and April 11, 2020, an employer's revenue must have declined by at least 15% year-over-year, or as compared to its average revenues from January and February 2020. If applying for the first time for subsequent periods, an employer's revenue must have declined by at least 30%.

The following chart provided by the Federal Government is a helpful guide:

Period Dates	Baseline Revenue	Eligibility Period Revenue	Required Reduction
March 15, 2020 to April 11, 2020	<ul style="list-style-type: none">March 2019, orAverage of January and February 2020	March 2020	15%
April 12, 2020 to May 9, 2020	<ul style="list-style-type: none">April 2019, orAverage of January and February 2020	April 2020	30%
May 10, 2020 to June 6, 2020	<ul style="list-style-type: none">May 2019, orAverage of January and February 2020	May 2020	30%

Employers can choose their baseline revenue (i.e. year-over-year or average revenues from January and February 2020). Once selected for one period, the employer cannot change it for subsequent calculations for other periods.

However, once an employer's reduction in revenue qualifies for one claim period, it will automatically qualify for the following claim period(s).

Which of my employees are eligible to receive the subsidy?

Any individual employed in Canada by an eligible employer during the claim period is eligible to receive the subsidy.

However, if an employee does not receive any pay from the employer for 14 days or more in a claim period, he or she is no longer eligible. Employees who have already been laid off or furloughed can become eligible retroactively, if the employer rehires them and provides them with retroactive pay.

My employee is eligible. But, which part(s) of his or her remuneration can be subsidized?

The subsidy can cover amounts paid to an employee as salary, wages and taxable benefits, fees and commissions. A simple rule is, if you make payroll deductions on an amount to be remitted to the CRA, that amount can be included in calculating an employee's remuneration.

How do I calculate the subsidy?

We suggest that you use the Federal Government's [wage subsidy calculator](#) and consult with your accounting and tax advisors for an accurate calculation.

Please ensure that you keep all records that you rely on to calculate (i) your reduction in revenues and (ii) the remuneration you pay to your employees. If the government suspects incorrect or fraudulent claims, your accurate records will be important to demonstrate that you were indeed eligible for the subsidy you received.

How do I apply?

Employers can apply for the CEWS through their CRA 'My Business' account. Before applying, you should have already calculated the estimated subsidy for your business.

Please see the Federal Government's in-depth [guide](#) to applying for the CEWS.

Can I use the monies from the subsidy for other payments other than employee remuneration?

No, the monies you receive from the CEWS must be paid to your eligible employees. Under no circumstances, can you use the subsidy for other expenses.

Prime Minister Trudeau has issued a warning that abuse of the system will be met with consequences, including fines or even imprisonment.

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