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**BUSINESS**

## SPECIAL EDITION

Yesterday, April 1, 2020, the Canadian government has released further information on the 75% wage subsidy:

1. The subsidy is concurrent with the 10% subsidy, ie. **if you do not qualify for the 75% subsidy, you can still continue to take the 10% subsidy.**
2. To be eligible, **you must have a reduction of 30% of your gross income for the same period last year.**
3. The period for the subsidy is March 15 through June 6, 2020.
4. The subsidy is 75% of remuneration paid, to a maximum of \$847 per employee per week. This is limited to 75% of the employee's pre-crisis earnings. However, new employees would also be eligible.
5. **There will be a special rule for employees that do not deal at arm's length with the employer, in that their subsidy will be limited to \$847, or 75% of their pre-crisis remuneration.**
6. There is no overall limit to the subsidy any employer may claim.
7. The application will be available soon on the CRA's 'my business account' web portal.

To help businesses keep and return workers to their payroll through the challenges posed by the COVID-19 pandemic, the Prime Minister, Justin Trudeau, proposed the new Canada Emergency Wage Subsidy. This would provide a 75 per cent wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020.

<https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html>

This wage subsidy aims to prevent further job losses, encourage employers to re-hire workers previously laid off as a result of COVID-19, and help better position Canadian companies and other employers to more easily resume normal operations following the crisis. While the Government has designed the proposed wage subsidy to provide generous and timely financial support to employers, it was done with the expectation that employers will do their part by using the subsidy in a manner that supports the health and well-being of their employees.

### **Eligible Employers**

Eligible employers would include individuals, taxable corporations, and partnerships consisting of eligible employers as well as non-profit organizations and registered charities.

Public bodies would not be eligible for this subsidy. Public bodies include municipalities and local governments, Crown corporations, public universities, colleges, schools and hospitals.

This subsidy would be available to eligible employers that see a drop of at least 30 per cent of their revenue (see Eligible Periods). [In applying for the subsidy, employers would be required to attest to the decline in revenue.](#)

## **Calculating 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-profits and charities, the government will continue to work with the sector to ensure the definition of revenue is appropriate to their specific circumstances.

## **Amount of Subsidy**

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.

[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.

|                 | Claiming period     | Reference period for eligibility |
|-----------------|---------------------|----------------------------------|
| <b>Period 1</b> | March 15 - April 11 | March 2020 over March 2019       |
| <b>Period 2</b> | April 12 - May 9    | April 2020 over April 2019       |
| <b>Period 3</b> | 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.

### How to Apply

Eligible employers would be able to apply for the Canada Emergency Wage Subsidy through the Canada Revenue Agency's My Business Account portal as well as a web-based application. Employers would have to keep records demonstrating their reduction in arm's-length revenues and remuneration paid to employees. More details about the application process will be made available shortly.

### Ensuring Compliance

In order to maintain the integrity of the program and to ensure that it helps Canadians keep their jobs, the employer 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 offenses 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.

### **Interaction with 10 per cent Wage Subsidy**

On March 18, 2020, the Prime Minister announced a temporary 10 per cent wage subsidy. 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.

### **Interaction with the Canadian Emergency Response Benefit**

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.

### **Government Assistance**

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.

## **Emergency Response Benefit (CERB) Update**

Canada Revenue Agency now has a web page available for those who wish to apply for this benefit. Please follow the link below:

<https://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html>

**We have included a couple of summary tables for employees and employers to make it easy to understand what benefit to apply. We hope it helps.**

**COVID-19 EMPLOYEE FEDERAL BENEFITS GUIDE**

**Disclaimer:**

*The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.*

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***Please stay safe and follow advices by medical professionals only.***



**Jerry J. Copuroglu  
CPA, CGA, CFE,  
TEP Licensed  
Public Accountant**

**[www.jcprofessional.com](http://www.jcprofessional.com)**