

Wages Subsidies available for Business (COVID-19)

Canada Emergency Wage Subsidy

The Canada Emergency Wage Subsidy provides savings to employers equal to 75% of an employee's wages on the first \$58,700 per employee, up to a maximum of \$847 per week. This subsidy aims to prevent further job losses, encourages employers to re-hire workers previously laid off and help better position Canadian businesses and employers to easily resume normal operations.

Eligibility Criteria:

- Includes individuals (self-employed), taxable corporations, partnerships, non-profit organizations (public bodies like municipalities, Crown corporations, hospitals are not eligible)
- Eligible entities must see a decline in revenues of at least 15 per cent in March 2020, and at least 30 per cent in April 2020 and May 2020.
- Revenue would be calculated using the employer's normal accounting method, and would exclude revenues from extraordinary items and amounts on account of capital

Decrease in Revenue Calculation:

To qualify, eligible employers must experience a 30% decrease, 15% for March 2020 in revenues during three eligible periods:

	Time Frame	Reference Period for Eligibility
Period 1	March 15 – April 11	March 2020 compared to either <ul style="list-style-type: none">• March 2019• Average of January and February 2020
Period 2	April 12 – May 9	Eligible for Period 1 OR April 2020 compared to either <ul style="list-style-type: none">• April 2019• Average of January and February 2020
Period 3	May 10 – June 6	Eligible for Period 2 OR May 2020 compared to either <ul style="list-style-type: none">• May 2019• Average of January and February 2020

When measuring the revenue loss, the CEWS amount received by the eligible entity in a month is excluded. If new in business, eligibility would be determined by comparing monthly revenues to a reasonable benchmark.

Wage Subsidy Calculation:

After determining that you have experienced a decrease in your revenue, you can calculate the subsidy.

The subsidy calculation is the **greater** of:

- 75 per cent of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
- The lessor of the amount of remuneration paid, up to a maximum benefit of \$847/week or 75 per cent of the employee's baseline remuneration, whichever is less.

Baseline remuneration is the average weekly remuneration paid to the employee between January 1 and March 15, 2020 excluding any seven-day periods for which the employee was not paid.

(Note: The first \$58,700 annually (\$1,129 weekly) normally earned by an employee representing a benefit of up to \$847/week).

Calculation Example:

In our example, an eligible employer has thirteen employees earning different amounts.

The calculation for CEWS is:

Employee #	A Actual Remuneration	B Baseline Remuneration	C 75% of Remuneration Paid	Lessor of D.1 and D.2		Greater of C and D CEWS/week
				D.1 Amount of Actual Remuneration	D.2 75% of Baseline Remuneration	
1	250.00	384.62	187.50	250.00	288.46	250.00
2	500.00	673.08	375.00	500.00	504.81	500.00
3	750.00	961.54	562.50	750.00	721.15	721.15
4	1,000.00	1,130.77	750.00	1,000.00	847.00	847.00
5	1,200.00	1,538.46	847.00	1,200.00	847.00	847.00
	3,700.00	4,688.46	2,722.00	3,700.00	3,208.42	3,165.15

In our example, the Employer pays \$3,700.00 to the employees and receives \$3,165.15 in CEWS.

There is no cap on the amount of CEWS an employer can claim. The government has asked employers to do their best to top up employee's salaries and bring them to baseline remuneration wage levels.

The application process for the CEWS:

Employers would be able to apply through the Canada Revenue Agency's My Business Account portal. It is essential that employers keep records demonstrating their 30% decrease in revenue (15% for March) and their calculations for the CEWS. Employers that do not meet the eligibility requirements would have to repay amounts received under the CEWS. More details on the application process will be available shortly.

Additional Information:

Arm's Length Employees: A special rule will apply for employees who do not deal at arm's length with the employers (shareholders, spouses of shareholders). 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
- 75 per cent of the employee's pre-crisis weekly remuneration

Refunds of payroll contributions

A new feature is a 100 per cent refund for eligible employees for certain contributions paid to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan and the Quebec Parental Insurance Plan for employees who are on paid leave.

Canada Emergency Response Benefit: Employers are not eligible to claim the CEWS for remuneration paid to an employee in a week that falls within the 4-week period

Interaction with 10% Wage Subsidy (see below): Employers that are eligible to claim the CEWS and the Temporary Wage Subsidy must reduce their CEWS available to the employer for that period.

Taxable Income: The CEWS is considered government assistance and must be included in the employer's taxable income.

Temporary Wage Subsidy:

The Temporary Wage Subsidy is available to employers who do not experience a 30% decrease in revenue. The subsidy is equal to 10% of the remuneration you pay from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per employer.

Below are examples on how to calculate the Temporary Wage Subsidy.

# of Employees	Monthly Earnings per employee	Total Monthly Payroll	10% of Monthly Wage	A Three month Wage Subsidy	B Maximum per Employee (\$1,375 per employee)	Total Subsidy (Lower of A or B)
5	4,100	20,500	2,050	6,150	6,875	6,150
5	8,000	40,000	4,000	12,000	6,875	6,875
3	2,500	7,500	750	2,250	4,125	2,250
20	6,800	136,000	13,600	40,800	27,500	25,000
25	7,700	192,500	19,250	57,750	34,375	25,000

The application process for the Temporary Wage Subsidy:

You do not need to apply for this subsidy. You will continue to deduct your income tax, CPP and EI premiums from salaries, wages, bonuses and any other remunerations paid to your employees as you usually do. Nothing will change for your employees.

Once you have determined your subsidy (based on the calculation noted in the table above), you can deduct the subsidy from your current payroll remittances of the federal and provincial income tax you send to CRA. Note, you cannot reduce the CPP and EI (employee and employer) remittance amounts. It is only the income tax withheld from your employees that can be reduced.

For additional information on these subsidies, please see the Government of Canada's information releases [Canada Emergency Response Benefit](#) or [Temporary Wage Subsidy](#).

If you have any questions concerning the subsidies, please contact us at donna@cloutiermatthews.ca or summer@cloutiermatthews.ca