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## Wage Subsidies

Summary of the two subsidies available for businesses

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## CANADA EMERGENCY WAGE SUBSIDY

### WHAT IT IS:

A subsidy to help cover the wages of employees for eligible employers that have experienced a drop in revenue. This subsidy was originally available for the 12-week period from March 15, 2020 to June 6, 2020 and was later extended to November 21, 2020. In the Throne Speech, it was announced that there would be a further extension to summer 2021 but further details are not yet available.

### WHO IS ELIGIBLE:

Meets the revenue test:

- **Periods 1 to 4:** Businesses that have had a 15% or more decline in gross revenue in March 2020 and 30% or more decline in gross revenues in the following months when compared to the selected benchmark (note: will select your approach in the first application and must use the same approach for the duration of the program)
- **Periods 5 onwards:** Businesses that have had a decrease in gross revenue compared to the benchmark selected
- Benchmark options for the comparison of gross revenues:
  - Comparing revenues to the same month in 2019
  - Comparing to the average gross revenue of January 2020 and February 2020
- 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 exclude 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 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**.

Eligible employers:

- Individuals (other than trusts)
- A corporation or a trust, other than a corporation or a trust that is exempt from tax under Part I of the Income Tax Act or is a public institution
- A registered charity (other than a public institution)
- person that is exempt from tax under Part I of the Act (other than a public institution), that is:
  - an agricultural organization
  - a board of trade or a chamber of commerce
  - a non-profit corporation for scientific research and experimental development
  - a labour organization or society
  - a benevolent or fraternal benefit society or order

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- a non-profit organization
- a partnership, each member of which is a person or partnership described in this list
- Prescribed organizations
- Public bodies would **not** be eligible for this subsidy. A public institution is a school, school board, hospital, health authority, public university or college. It also includes an organization described in any of paragraphs 149(1)(a) to (d.6) of the Act, for example, municipalities and local governments and tax-exempt Crown corporations.

Eligible employees:

- An individual who is employed in Canada
- **Periods 1 to 4:** Eligibility for the CEWS of an employee's remuneration is limited to employees that have **not** been **without** remuneration for more than 14 consecutive days in the eligibility period
  - I.e. if an employee was without pay for 14 consecutive days in the period you are applying for, then you won't be able to claim the wage subsidy for that employee.

AMOUNT THAT CAN BE RECEIVED (PERIODS 1 TO 4):

Calculation:

$$\boxed{A - B - C + D}$$

**A:** For all eligible employees for each week in the qualifying period, the **greater** of **X** or **Y**

**X** = The **least** of the following:

- 75% of eligible remuneration for week (i.e. actual pay)
- \$847
- \$0 – if non-arms length employee

**Y** = the **least** of the following:

- Eligible remuneration for week (i.e. actual pay)
- 75% of baseline remuneration of employee for that week
- \$847

**B:** 10% Temporary Wage Subsidy for Employers amount (must be the eligible amount for the period, even if the employer did not reduce their related payroll remittances by that amount)

**C:** Total of amounts received by employees through ESDC's work-sharing program for any weeks in the qualifying period

**D:** If the employer has any eligible employees on leave with pay:

- Total amount of employers premium (EI) and employer CPP or QPP contributions paid in respect to those employees for any weeks in the qualifying period
- Total amount of employer premiums paid under the Quebec Parental Insurance Plan (QPIP) in respect to those employees for any weeks in the qualifying period

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There would be no overall limit on the subsidy amount that an eligible employer may claim.

In effect, employers may be eligible for a subsidy of up to 100% of the first 75% of pre-crisis wages or salaries of existing employees. These employers would be expected where possible to maintain existing employees' pre-crisis employment earnings.

#### AMOUNT THAT CAN BE RECEIVED (PERIODS 5 AND ONWARDS)

NOTE: For periods 5 and 6, if the business has a decrease in revenue of 30% or more, it is eligible for safe harbour rules in which it will get to maximize the benefit under the old calculation and the new calculation.

For period 5 and onwards, the subsidy is made up of two parts:

1. **Base subsidy** - available to all eligible employers that are experiencing a decline in revenues of up to 50%. The rate is dependent upon on the revenue decrease experienced in either the most recent one-month period or the one-month period experienced prior and **will decline over time**
2. **Top-up subsidy** – up to an additional 25% for employers that have experienced a revenue decline of more than 50%over the past three months

Both parts will apply with respect to the remuneration of active employees, with a separate rate structure for furloughed employees.

For period 5 and on, active arm's-length employees, the amount of remuneration would be based solely on the actual remuneration paid for the eligibility period without reference to the baseline remuneration used for earlier CEWS periods.

#### KEY DEFINITIONS

**Baseline remuneration** for a given employee would be based on the average weekly remuneration paid between January 1 and March 15 inclusively, excluding any seven-day periods in respect of which the employee did not receive remuneration.

**Eligible remuneration** may include salary, wages, and other remuneration like taxable benefits. 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.

**Employees not at arm's length:** A special rule will apply to employees that do not deal at arm's length with the employer. The subsidy would only be available in respect of non-arm's length employees employed prior to March 15, 2020. The subsidy amount is limited to the eligible remuneration paid in any pay period between March 15 and June 6, 2020 to a maximum of **the lesser of:**

- \$847 per week
- 75% of the employee's pre-crisis weekly remuneration
- 

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**ELIGIBLE PERIODS:**

The table below outlines each claiming period and the period in which it has a decline in revenue:

Eligible period	Claiming period	Required revenue decrease	Reference period for eligibility
<b>Period 1</b>	March 15 to April 11	15%	March 2020 over: <ul style="list-style-type: none"> <li>• March 2019</li> <li>• Average of January and February 2020</li> </ul>
<b>Period 2</b>	April 12 to May 9	30%	Eligible for period 1 <b>OR</b> April 2020 over: <ul style="list-style-type: none"> <li>• April 2019</li> <li>• Average of January and February 2020</li> </ul>
<b>Period 3</b>	May 10 to June 6	30%	Eligible for period 2 <b>OR</b> May 2020 over: <ul style="list-style-type: none"> <li>• May 2019</li> <li>• Average of January and February 2020</li> </ul>
<b>Period 4</b>	June 7 to July 4	Any	Eligible for period 3 <b>OR</b> June 2020 over: <ul style="list-style-type: none"> <li>• June 2019</li> <li>• Average of January and February 2020</li> </ul>
<b>Period 5</b>	July 5 to August 1	Any	General approach: <ul style="list-style-type: none"> <li>• <b>Base:</b> July 2020 over July 2019 <b>OR</b> June 2020 over June 2019</li> <li>• <b>Top-up:</b> April to June 2020 average over April to June 2019 average</li> </ul> Alternative approach: <ul style="list-style-type: none"> <li>• <b>Base:</b> July 2020 <b>OR</b> June 2020 over average of January and February 2020</li> <li>• <b>Top-up:</b> April to June 2020 average over January and February 2020 average</li> </ul>
<b>Period 6</b>	August 2 to August 29	Any	General approach: <ul style="list-style-type: none"> <li>• <b>Base:</b> August 2020 over August 2019 <b>OR</b> July 2020 over July 2019</li> <li>• <b>Top-up:</b> May to July 2020 average over May to July 2019 average</li> </ul> Alternative approach: <ul style="list-style-type: none"> <li>• <b>Base:</b> August 2020 <b>OR</b> July 2020 over average of January and February 2020</li> <li>• <b>Top-up:</b> May to July 2020 average over January and February 2020 average</li> </ul>

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Eligible period	Claiming period	Required revenue decrease	Reference period for eligibility
<b>Period 7</b>	August 30 to September 26	Any	<p>General approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> September 2020 over September 2019 <b>OR</b> August 2020 over August 2019</li> <li>• <b>Top-up:</b> June to August 2020 average over June to August 2019 average</li> </ul> <p>Alternative approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> September 2020 <b>OR</b> August over average of January and February 2020</li> <li>• <b>Top-up:</b> June to August 2020 average over January and February 2020 average</li> </ul>
<b>Period 8</b>	September 27 to October	Any	<p>General approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> October 2020 over October 2019 <b>OR</b> September 2020 over September 2019</li> <li>• <b>Top-up:</b> July to September 2020 average over July to September 2019 average</li> </ul> <p>Alternative approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> October 2020 <b>OR</b> September 2020 over average of January and February 2020</li> <li>• <b>Top-up:</b> July to September 2020 average over January and February 2020 average</li> </ul>
<b>Period 9</b>	October to November 21	Any	<p>General approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> November 2020 over November 2019 <b>OR</b> October 2020 over October 2019</li> <li>• <b>Top-up:</b> August to October 2020 average over August to October 2019 average</li> </ul> <p>Alternative approach:</p> <ul style="list-style-type: none"> <li>• <b>Base:</b> November 2020 <b>OR</b> October 2020 over average of January and February 2020</li> <li>• <b>Top-up:</b> August to October 2020 average over January and February 2020 average</li> </ul>

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 starting April 27, 2020.

Options for applying:

- My Business Account
- Representatives may use Represent a Client
- Separate online application form that will be available starting on April 27

Businesses will need to reapply each period.

**DDL Assistance option:** For those applying for CEWS, please let us know if you would need assistance in calculating and submitting the application.

#### HOW IS IT RECEIVED:

Funds available by direct deposit or by cheque.

#### REFUND FOR CERTAIN PAYROLL CONTRIBUTIONS:

The Government is proposing to expand the CEWS by introducing a new 100% refund for certain employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan.

This refund would cover 100% of employer-paid contributions for eligible employees for each week throughout which those employees are on leave with pay and for which the employer is eligible to claim for the CEWS for those employees.

In general, an employee will be considered to be on leave with pay throughout a week if that employee is remunerated by the employer for that week but does not perform any work for the employer in that week. This refund would not be available for eligible employees that are on leave with pay for only a portion of a week.

This refund would not be subject to the weekly maximum benefit per employee of \$847 that an eligible employer may claim in respect of the CEWS. There would be no overall limit on the refund amount that an eligible employer may claim.

For greater certainty, employers would be required to continue to collect and remit employer and employee contributions to each program as usual. Eligible employers would apply for a refund, as described above, at the same time that they apply for the CEWS

#### COMPLIANCE:

Penalties may apply in cases of fraudulent claims. The penalties may include fines or even imprisonment. The government announced April 8<sup>th</sup> that penalties would be 225% of the amount received and up to 5 years in prison.

An individual who has **principal responsibility** for the financial activities of the eligible entity **must attest** that the application is complete and accurate in all material respects.

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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 CEWS if they do not meet the eligibility requirements.

In addition, anti-abuse rules would be put in place to ensure that the subsidy is not inappropriately obtained and to help ensure that employees are paid the amounts they are owed.

Employers that engage in artificial transactions to reduce revenue for the purpose of claiming the CEWS would be subject to a penalty equal to 25 per cent of the value of the subsidy claimed, in addition to the requirement to repay in full the subsidy that was improperly claimed.

Finally, the legislation allows for the Minister of National Revenue to publicly communicate the names of any employer who applies for the CEWS.

#### OTHER WAGE SUBSIDY:

On March 18, 2020, the Prime Minister announced a temporary 10% wage subsidy. For employers that are eligible for both the Canada Emergency Wage Subsidy and the 10% wage subsidy for a period, any benefit from the 10% 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 WORK-SHARING PROGRAM:

For employers and employees that are participating in a Work-Sharing program, EI benefits received by employees through the Work-Sharing program will reduce the benefit that their employer is entitled to receive under the CEWS.

#### TAX CONSIDERATIONS:

To 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.

Last updated: April 22, 2020

## TEMPORARY WAGE SUBSIDY – 10%

### WHAT IT IS:

Those organizations that do not qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced wage subsidy of 10% of remuneration paid from March 18, 2020 to June 20, 2020 up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

### WHO IS ELIGIBLE (MUST MEET ALL THREE):

- (1) Is one of the following:
  - a. Canadian-Controlled Private Corporation (CCPC)
    - i. Must have had a business limit for the small business deduction greater than \$NIL for its most recent tax year ended prior to March 18, 2020 (or if no taxation year has ended before that date, then would have such a limit if its taxation year ended on March 17, 2020)
    - ii. A reduction to the business limit caused by passive income is not considered for this purpose
  - b. Individual
  - c. Partnership
  - d. Not-for-Profit
  - e. Charity
- (2) Must have an existing business number and payroll program account with the CRA on March 18, 2020
- (3) Pays salaries, wages, bonuses or other remuneration to one or more eligible employees (eligible=employed in Canada)

### HOW TO APPLY:

The subsidy must be calculated manually on remuneration paid between beginning March 18, 2020 and ending June 20, 2020. It can be calculated by taking 10% of gross wages to a maximum of \$1,375 per employee and up to \$25,000 per employer.

You will need to keep information to support your subsidy calculation, including:

- Total remuneration paid between March 18, 2020 and June 20, 2020.
- The federal, provincial or territorial income tax that was deducted from that remuneration
- The number of employees paid in that period

**HOW IS IT RECEIVED:**

Once you have calculated your subsidy, you can reduce your current remittance by federal, provincial or territorial income tax that you send to the CRA by the amount of the subsidy. NOTE: You **cannot** reduce your remittance of CPP or EI.

If the income taxes you deduct are not enough to offset the value of the subsidy in a specific period, you can reduce future remittances to benefit from the subsidy. This includes remittances that may fall outside the application period (after June 20, 2020).

You can start reducing remittances in the first remittance period that includes remuneration paid between March 18, 2020 and June 20, 2020 – so if you are a regular remitter, you can reduce your remittance that is due to the CRA on April 15, 2020.

**OWNER RENUMERATION:**

No exclusion has been stated in the legislation for remuneration of the owners of the employer or persons related to the employer.

A proprietor or partner is not an employee of their unincorporated business therefore they will not be eligible for the subsidy.

**CORPORATE TAX IMPLICATIONS:**

The subsidy is considered taxable income and thus you will have to report the total amount as income in the year in which the subsidy was received.

**PAYROLL COMPANIES:**

Ceridian has confirmed that they will facilitate the processing of the wage subsidy for the next payroll. They are going to have the programming in place by March 27, 2020.

Last updated: April 1, 2020