
The Department of Finance has posted additional information on the Canada Emergency Wage Subsidy on their website.

The posting provides some clarification on various elements of the subsidy.

Revenue Decline

- For the purpose of measuring the decline in the business's revenues, the revenue must:
 - be from a business carried on in Canada,
 - be from arm's-length sources,
 - be calculated using the employer's normal accounting method, and
 - exclude revenues from extraordinary items and amounts on account of capital.
- There are 3 claim periods. The revenue reference periods for those claim periods are:

Claim Period Revenue Reference Period

March 15 – April 11 March 2020 over March 2019

April 12 – May 9 April 2020 over April 2019

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.

Eligible Wages

- Wages eligible for the subsidy do not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.

Subsidy Amount

- Previous guidance implied that employers needed to pay 100% of the employee's wages to the employee and then claim back 75% of the amount paid. However, that guidance also said that employers are expected to make best efforts to pay the unsubsidized 25% of the employee's wages, suggesting that the employer could still receive the full 75% subsidy if they only paid 75% of the employee's normal wages. The new guidance clarifies that:
 - 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 (i.e. the employer doesn't need to pay the 25% to be eligible for the 75%), and
 - employers will also be eligible for a subsidy of up to 75 per cent of salaries and wages paid to new employees.

- For employee's that do not deal at arm's length with their employer (e.g. owner-managers), *"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"*. The implication appears to be that the subsidy non-arm's length employees is limited to 75% of amounts actually paid. The employer must pay the remaining 25% .
- There is no overall limit on the subsidy amount that an eligible employer may claim.

Applying for the Subsidy

- 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. **More details about the application process will be made available shortly.**
- Employers should setup their My Business Account as soon as possible, if they do not already have one, so they are ready to apply for the subsidy as soon as the portal is available.

Interaction with 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.

Income Inclusion

- Any subsidy amounts received will be included in the employer's net income for tax purposes.

Abuse Will Not be Tolerated

- Abuse of the subsidy will be an "offence" under the Income Tax Act, which means that it is a criminal matter that could result in fines or imprisonment upon conviction.

The Canada Emergency Wage Subsidy

From: [Department of Finance Canada](#)

Background

What It Means for Canadian Businesses

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.

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.

Eligible Period		
	Claiming period	Reference period for eligibility
Period 1	March 15 – April 11	March 2020 over March 2019
Period 2	April 12 – May 9	April 2020 over April 2019
Period 3	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 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.

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.

How businesses will benefit from the Canada Emergency Wage Subsidy

Bruno and Tisha run a floral shop in Burnaby, British Columbia. They have four full-time employees, each earning \$800 per week, and 6 part-time employees, each earning \$400 per week, for a total weekly payroll of \$5,600. Bruno and Tisha have closed their shop and are only fulfilling online orders during this challenging period. They are keeping all of their employees on the payroll, paying them their full regular wages, despite their revenues being down by 30 per cent. Bruno and Tisha would be eligible for a weekly wage subsidy of \$4,200 (\$600 for each of their full-time employees and \$300 for each of their part-time employees).

Yours truly,

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