

COVID-19:

Changes Announced to the Canada Emergency Wage Subsidy

April 8, 2020

The Minister of Finance today provided new details on the eligibility criteria for businesses to access the Canada Emergency Wage Subsidy (CEWS). CEWS is intended to provide an incentive for employers to pay employees who have been sent home for health and safety reasons or due to lack of work. It will also assist employers to retain those who are still on payroll and rehire those they have previously laid off.

The proposed CEWS would provide a subsidy at a rate of 75 percent of the first \$58,700 normally earned by employees. This provides a benefit of up to \$847 per week, per employee, with no limit as to the amount to which the employer can be entitled. The program would be in place for the 12-week period beginning March 15 and ending on June 6, 2020. Employers of all sizes and across all sectors are eligible, with certain exceptions including public sector entities. An eligible employer's entitlement to this wage subsidy will be based entirely on the salary or wages actually paid to employees.

The government is also proposing that eligible employers for the CEWS be entitled to a 100 percent refund for employer-paid contributions to Employment Insurance, Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan contributions.

The government is proposing the following:

- To measure their revenue loss, employers can either compare their revenue of March, April, and May 2020 to that of the same month of 2019, or to an average of their revenue earned in January and February 2020.
- For March, eligible employers only need to experience a 15 percent reduction in revenue in order to be eligible for the CEWS. This change has been made to reflect that many businesses did not begin to experience the affects of COVID-19 until partway through the month.
- Recognizing the timing between when revenue is earned and when it is received could be highly variable in certain sectors of the economy, the government proposes that employers be allowed to measure revenues either on an accrual basis or on a cash basis.

- Registered charities and not-for-profit organizations are eligible to receive the CEWS. It is proposed that these organizations can choose to include or exclude government funding in their revenues for purposes of applying the revenue reduction test.

These changes also address the unique realities of the non-for-profit sector, high growth companies and new businesses. Special rules will be forthcoming to address issues for corporate groups, non-arms' length entities, and joint ventures.

The government will continue to monitor the impact of the COVID-19 outbreak and will continue to take actions to protect Canadians and the economy.

Please contact your Fuller Landau engagement partner or manager for any questions.



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