

COVID-19 RELIEF FOR EMPLOYERS

Canadian Emergency Wage Subsidy- CEWS (75% payroll subsidy)

<https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>

Description

A 75% wage subsidy available for payroll costs for up to 12 weeks, retroactive to March 15, 2020. This is a taxable benefit

Who Qualifies?

- Individuals
- Taxable corporations
- Partnerships
- Non-profit organizations
- Registered charities

There must be a 30% decline in revenue since this time last year. This is determined by comparing revenues to the same month last year for March, April or May. Employers must reapply each month.

The subsidy being received through this plan is to be excluded for the purposes of measuring year-over-year changes in monthly revenues.

Revenue must be earned from business carried on in Canada from an arm's length source. This would be calculated using your normal accounting method and would exclude extraordinary items and amounts on account of capital.

For non-profits and charities the government is going to continue working with the sector to ensure the definition of revenue is appropriate to your specific circumstance.

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
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

How much is the subsidy?

The government will cover up to the greater of:

- 75% of eligible remuneration paid to a maximum benefit of \$847/week.
- The amount of eligible remuneration paid, up to a maximum benefit of \$847 per week OR 75% of the employee's pre-crisis weekly remuneration, whichever is less.

The wage subsidy will be backdated to March 15th.

Funds will be made available in approximately 6 weeks. Employers are encouraged to rehire recently laid-off employees.

Employers will also be eligible for a subsidy of up to 75 per cent of salaries and wages paid to new employees.

Employers must attest that they are doing everything that they can to pay the remaining 25%.

What is Eligible Remuneration?

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.

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.

Ensuring Compliance

The employer will be required to repay amounts under this subsidy if you do not meet the eligibility requirements and pay their employees accordingly. Penalties may apply in cases of fraudulent claims. Penalties may include fines or even imprisonment.

How does this work with the 10% wage subsidy?

For employers that are eligible for both the Canadian Emergency Wage Subsidy and the Temporary 10% Wage Subsidy (discussed below), any benefit from the 10% wage subsidy for remuneration paid in a specific period would reduce the CEWS benefit for that same period.

An Example of calculations

If you have 4 full time employees earning \$800/ week and 6 part time employees earning \$400/week the following would be your benefit:

$75\% \times \$800 = \$600.00/\text{week}/\text{employee}$

$75\% \times \$400 = \$300/\text{week}/\text{employee}$

So your weekly wage subsidy would be \$2,400 (\$600X4) for the full time employees and \$1,800 (\$300X6) for the part time employees for a total subsidy of \$4,200

TEMPORARY 10% WAGE SUBSIDY

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html#h1>

Description

For remuneration paid between March 18-June 20.

Maximum of \$1,375 per worker and an employer cap of \$25,000 (18 employees if each employee qualifies for the full \$1,375).

Associated CCPC's will not be required to share the maximum subsidy.

Who Qualifies?

- Small Businesses
- Non-profit organizations
- Registered charities
- CCPC with less than \$15 million in taxable capital

You must have an existing business number and payroll program with CRA as of March 18, 2020

You must pay salary, wages, bonuses or other remuneration to an employee

NOTE: If a business is eligible, but not paying employees during the applicable period because it is closed, it does not qualify.

How does this work?

You will see immediate relief, not in the form of a cheque from the government but reduced amounts for payroll deductions to CRA.

Employers can only reduce the remittance of federal and provincial tax. CPP and EI premiums must remain untouched.

Business must manually calculate the subsidy, based on CRA's guidelines. You MUST keep records of all information used to determine the subsidy, including total remuneration paid during the applicable period, the taxes that were deducted during that time, and the number of employees who were paid.

How do I calculate this?

It is manually calculated and is 10% of their monthly payroll.

For example, if you have 5 employees earning monthly salaries of \$4,100 for a total monthly payroll of \$20,500, the subsidy would be 10% of \$20,500, or \$2,050.

You will not have to track, per employee, what the subsidy is, but your company will be capped at \$1,375 per employee. So if you have 10 employees your maximum subsidy is \$13,750 – but this can be shared any which way between employees so long as you are not exceeding 10% of your gross payroll.

When can I start reducing remittances?

You can start in the first remittance period that includes remuneration paid between March 18 and June 20.

What if the subsidy exceeds the remittances?

If the income tax you deduct is not sufficient to offset the value of the subsidy in a specific period you can reduce the future remittances to benefit from the subsidy. This includes remittances that may fall outside of the application period.

For example: If you calculated a subsidy of \$2,050 on remuneration paid between March 18, 2020, and June 20, 2020, but only deducted \$1,050 of federal, provincial, or territorial income tax from your employees, you can reduce a future income tax remittance by \$1,000, even if that remittance is in respect to remuneration paid after June 20, 2020.

Will this affect deductions from my employees?

No, you will continue deducting income tax, CPP and EI from remuneration paid to your employees. The subsidy is only calculated when you remit these amounts to CRA.

What if you do not reduce remittances during the year?

If you are an eligible employer, but choose not to reduce your payroll remittances during the year, calculate the temporary wage subsidy on remuneration paid between March 18, 2020, and June 20, 2020. You can then ask for the subsidy to be paid to you at the end of the year, or transferred to the next year's remittance.

What records do you need to support this subsidy?

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

The CRA is currently updating reporting requirements. More information on how to report this subsidy will be released in the near future.

Is this considered taxable income?

Yes, if you receive the subsidy you need to report the total amount as income in the year in which the subsidy is received.

BUSINESS CREDIT AVAILABILITY PROGRAM

Financing is being made available through the Canada Emergency Business Account.

- Interest free loans up to \$40,000
- Available to small business and not for profits to help cover operating costs
- You will contact your financial institution to apply for these loans
- To qualify You must demonstrate that you paid between \$50,000 and \$1 million in total payroll in 2019.
- If the loan balance is repaid on or before December 31, 2022 this will result in a loan forgiveness of 25% (up to \$10,000).

INCOME TAX CHANGES

Income tax balances and instalment payments will be deferred until August 31, 2020.

GST payments and GST installment payments are deferred until June, 2020

UTILITY PAYMENT DEFERRAL

Residential, farm and small commercial customers can defer electricity and natural gas bill payments for the next 90 days to ensure no one will be cut off, regardless of the service provider.

Call your utility provider directly to arrange for a 90-day deferral on all payments.

WCB

Invoices for 2020 premiums have been stopped for the remainder of the year. Do not submit payments going forward. WCB will refund employers who have made payments towards their 2020 premiums and no interest charges will be applied for 2020 premiums.

LAYING OFF EMPLOYEES

If you do not have work for your staff, there is the option that they can apply for the Canadian Emergency Relief Benefit. This is for up to \$2000 per month and runs for four months. They can receive this payment as long as they are not receiving income from anywhere else, but do not have to be officially laid off. If the four months is not enough, they can then be officially laid off with a ROE and then start receiving EI at that point. More details on this are provided in the Individuals PDF attached to your email.

Staff that will be laid off will require ROE's with the following codes:

CODE A – Shortage of Work / End of contract or season

- You've closed your business or adjusted your workforce as a precaution

CODE D – Illness or Injury

- Actual illness or an employee who has tested positive
- An employee who has traveled and is self-isolating

CODE N – Leave of absence

- The employee is making a personal choice to distance themselves out of an abundance of care

DO NOT put a note in Box 18, this will flat the ROE in the system and will delay processing.