

# COVID-19: Canada Emergency Wage Subsidy

Aaron Schechter

Article

| 4/1/2020

share



[Visit Crowe Soberman's COVID-19 Resource Hub](#)

*Current as of April 1, 2020*

Details of a new 75 per cent wage subsidy, the Canada Emergency Wage Subsidy (“**CEWS**”), were released on April 1, 2020. While the federal government announced how the CEWS will work, no legislation has been released as of today, so some of the finer details are still unknown. What we do know is:

Unlike the 10 per cent [Temporary Wage Subsidy for Employers](#) (“**TWSFE**”), all businesses, including corporations, partnerships, and sole proprietors, may be eligible for the CEWS, irrespective of whether the business is a Canadian controlled private corporation and had taxable capital of less than \$15M in the prior year (on an associated group basis), is a partnership of individuals or corporations that met the same criteria above, or is operated by an individual.

The CEWS will be in place from March 15, 2020 to June 6, 2020, a period of 12 weeks, and eligible employers will have to have experienced a reduction in gross revenues of no less than 30 per cent in March, April or May when compared to the same month in 2019. Each month must be examined independently to determine if the employer qualifies for the CEWS for remuneration paid to an employee in an Eligible Period. For example, if a business suffered a decrease in revenues of 30 per cent or more March

2020 over March 2019, the CEWS would be available for remuneration paid to employees between March 15 and April 11.

	<b>Claiming Period</b>	<b>Reference Period for Eligibility</b>
<b>Period 1</b>	March 15 – April 11	March 2020 over March 2019
<b>Period 2</b>	April 12 – May 9	April 2020 over April 2019
<b>Period 3</b>	May 10 – June 6	May 2020 over May 2019

For businesses established after February 2019, eligibility would be determined by comparing monthly revenues to a “reasonable benchmark”. Details on what a “reasonable benchmark” is have not been provided at this time.

For purposes of the CEWS, revenues will only include revenues from arm’s length sources, using the employer’s normal accounting method and will exclude revenues from extraordinary items and capital gains and losses.

Eligible employers who do qualify for the CEWS will be able to apply for a subsidy equal to 75 per cent of an employee’s gross wage for the week during the Eligible Period, to a maximum of \$846.63 per week. Therefore, the maximum subsidy an employer would be entitled to over the 12-week period would be \$10,160 per employee. If an eligible employer paid the wages of 20 employees over the 12-week period, and each of those employees earned no less than \$1,129 per week, it would be entitled to a subsidy of \$203,192. Unlike the TWSFE, there will be no maximum subsidy that an eligible employer can receive; however, it is important to note that any amount received will be considered government assistance and will be taxable.

Employers will have to reapply for the CEWS every month and will need to attest to its decline in revenues. It also appears that the new CEWS will not be tied to employer payroll source deductions, rather these amounts will continue to be required to be withheld from an employee’s pay and remitted to the Canada Revenue Agency (“**CRA**”).

The government acknowledges the difficulties in determining how to measure a decrease in revenues for a charity or not-for-profit and will be working with them to determine a definition of gross revenues that is appropriate to their circumstances.

Employers can apply for the CEWS through CRA’s [My Business Account](#) portal or via a web-based application. It is anticipated that these application portals will be operational in the next three to six weeks, and employers should see the first subsidy payments shortly thereafter.

Employers who do not qualify for the CEWS are still eligible for the TWSFE assuming they meet the specific criteria for that subsidy. Any benefit from the TWSFE will reduce the amount available to be claimed under the CEWS program for the same period. It is not yet clear whether an employer eligible for both the CEWS and the TWSFE must first

claim one or the other. For more details on the TWSFE, please visit [COVID-19: Temporary Wage Subsidy for Employers](#).

Finally, it appears that any remuneration paid to an employee less than four weeks from the time the employee is eligible for the Canadian Emergency Response Benefit will not be eligible for the CEWS. We trust that the specific legislation to be released in the coming days will clarify this understanding.

Branches can remain current by checking [Canada.ca](#) for all economic response plans