

# Federal Government Introduces Increased Canada Emergency Wage Subsidy

**Date :** April 2, 2020

As all Canadians adjust to a new “normal” in the era of COVID-19, many employers – whether they continue to operate as an essential service or not – are facing significant economic uncertainty. Since March 18, 2020, the federal government has announced a number of economic measures to stabilize the economy, including billions of dollars in direct support to Canadian workers and businesses. One of the measures which is intended specifically to assist employers in continuing to pay their employees and avoiding lay-offs where possible is the Canada Emergency Wage Subsidy.

## What is the Canada Emergency Wage Subsidy

The Canada Emergency Wage Subsidy will provide eligible employers with a temporary subsidy to assist in paying employees’ wages for a 12-week period, from March 15, 2020 to June 6, 2020.

As the federal government continues to iron out the details of the subsidy, many changes to the program have been announced over the past week. For example, although the initial announcement indicated that the subsidy would have a cap of 10%, it has recently been revealed that the subsidy will be increased to a maximum of 75% on the first \$58,700 normally earned by an employee. The federal government in its [Canada Emergency Wage Subsidy Backgrounder – What it Means for Canadian Businesses](#) released on April 1, 2020 states that the subsidy amount for a given employee on “eligible remuneration” would be the greater of:

- 75% 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% of the employee’s pre-crisis weekly remuneration, whichever is less.

The federal government is to provide further details in the coming days on how to define pre-crisis weekly remuneration. Eligible remuneration may include salary, wages, and other remuneration (amounts for which employers would generally be required to withhold or deduct income tax). Not included in eligible remuneration is severance pay or items such as stock option benefits.

There is no overall limit on the subsidy amount an eligible employer may claim.

## **Who is Eligible for the Canada Emergency Wage Subsidy**

Eligible employers include employers of all sizes and all sectors of the economy, with the exception of public sector entities. This includes, for example, individuals, partnerships, taxable corporations that are not publicly funded, not-for-profit organizations and registered charities.

In order to qualify for the subsidy, eligible employers must:

- employ one or more employees in Canada; and
- show that their gross revenues have fallen by at least 30% due to COVID-19.

To establish the 30% decrease in gross revenues, employers will be asked to compare their revenues from business carried on within Canada for each month during which they benefit from the subsidy with that same month in the previous year. For example, if an employer intends to access the subsidy for the claim period of April 12 to May 9, 2020, they will be required to compare their revenues with those from April 2019 in order to calculate the total decrease in gross revenues. Employers will have to re-apply and re-establish the 30% decrease for each claim period during which they intend to benefit from the subsidy. The claim periods are from March 15 to April 11, April 12 to May 9, and May 10 to June 6.

Eligible employers are expected to keep records demonstrating their reduction in arm's-length revenues and the remuneration paid to employees.

Finally, eligible employers are expected to cover the remaining 25% of an employee's wages, where possible. In fact, in order to receive the benefit of the subsidy, eligible employers will be required to attest to the fact that they are doing everything in their power to pay the balance of their employees' income.

The federal government has indicated that employers who are not eligible for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced wage subsidy of 10% of remuneration paid to employees from March 18, 2020 to June 20, 2020, to a maximum of \$1,375 per employee and \$25,000 per employer. Employers that are eligible for both subsidies will generally be required to reduce the amount claimed under the Canada Emergency Wage Subsidy by any benefit received from the 10% subsidy.

## **How will the Canada Emergency Wage Subsidy be Implemented**

On March 25<sup>th</sup>, 2020, Bill C-13 – which contained a number of changes required to be made to the *Income Tax Act* and its regulations in order to create the initial 10% subsidy – received Royal Assent. However, given the recent announcement that the subsidy will be increased, as well as the

change in how the program will be administered (which is discussed in greater detail below), Prime Minister Trudeau will recall Parliament in order to pass additional legislation implementing the new 75% subsidy.

### **How will the Canada Emergency Wage Subsidy be Administered**

Initially, it was announced that the subsidy would be provided to employers through a reduction in their current and future remittances of federal, provincial or territorial income tax by an amount equivalent to the subsidy. The text of Bill C-13 reflected this approach, with the addition of a deeming provision to section 153(1.02) of the *Income Tax Act*.

However, on April 1<sup>st</sup>, the Minister of Finance announced that the subsidy would instead be administered by the Canada Revenue Agency, through the use of the *My Business Account* portal, or a web-based application. Employers will be required to establish the pre-COVID-19 income for each employee, show that they have actually paid that employee the amount being claimed as a subsidy, and then await receipt of funds from CRA. It is expected that funds will be available in approximately six (6) weeks.

### **How will the Government Oversee the Canada Emergency Wage Subsidy**

Given the speed at which the ongoing pandemic is progressing and the financial strain it is creating for Canadian employers, the federal government has indicated that it is placing a high level of trust in employers applying for the subsidy. It is expected that the government will conduct some oversight of the subsidy program, though the form that oversight will take remains unknown at this time. However, Prime Minister Trudeau and the Minister of Finance have both indicated that there will be serious consequences for those who abuse the benefit or use it for fraudulent purposes, particularly in light of the high trust system being used. The government has stated that employers who claim the subsidy but do not meet the eligibility requirements will be required to repay amounts paid under the subsidy and pay their employees accordingly. Penalties may apply in the case of fraudulent claims, and anti-abuse rules will be proposed. Further, the government is considering creating new offences that will apply to individuals, employers, or business administrators who provide false or misleading information to obtain the benefit or who misuse funds obtained under the program. The penalties for these offences may include fines or imprisonment.

### **In Our View**

In light of the urgency surrounding the federal government's announcement of the creation of the Canada Emergency Wage Subsidy, it is to be expected that certain details would continue to remain unclear at this time. For example, it is not currently known whether employers will be permitted to implement a Work-Sharing program and still access the subsidy.

Emond Harnden LLP will continue to monitor relevant information on the Canada Emergency Wage Subsidy as it becomes available to assist employers in navigating the ongoing pandemic.

For further information or advice on your rights and obligations as an employer when dealing with COVID-19 and similar issues, please contact [J.D. Sharp](#) at [613-940-2739](tel:613-940-2739), [Colleen Dunlop](#) at [613-940-2734](tel:613-940-2734), [Kecia Podetz](#) at [613-940-2752](tel:613-940-2752), [Steven Williams](#) at [613-940-2737](tel:613-940-2737), [Carolyn Dunlop](#) at [613-940-2760](tel:613-940-2760) or [Lauren Jamieson](#) at [613-563-7660](tel:613-563-7660) ext 236.