

On April 1, 2020 the government released further details with respect to the 75% wage subsidy. The Canadian Emergency Wage Subsidy is expected to cost the government \$71 Billion.

**It is important to point out that the proposed legislation regarding these rules has not been released nor been finalized yet. It is possible that some of the details that have been released to date will be modified when the legislation is passed.**

The current understanding of the Canadian Emergency Wage Subsidy is as follows:

- The wage subsidy will apply to wages paid between March 15 to June 6, 2020.
- The wage subsidy would apply at a rate of 75% of an annual salary, up to \$58,700, with the amount of the subsidy being limited to \$847 per week per employee.
- The maximum wage subsidy will be \$847 a week or 75% of the employee's pre-crisis weekly remuneration. Further guidance will be provided on what an employee's pre-crisis weekly remuneration is for situations where it is not obvious.
- The wage subsidy will be available for new employees who are hired during the wage subsidy period.
- Eligible remuneration includes salary, wages and other remuneration but not include severance pay, stock option benefits or personal use of an employer's automobile.
- There would be a special rule for employees that are related to the employer. The maximum subsidy would be the eligible remuneration paid in any pay period between March 15 and June 6, 2020, up to a maximum of \$847 per week or 75% of the employee's pre-crisis weekly remuneration.
- Eligible employers who suffer a decline in gross revenue of at least 30% as a result of COVID-19 in March, April or May 2020 when compared to the same months in 2019 would be able to access the wage subsidy
- An employer's revenue for purposes of the 30% or more decline would be revenue from its business carried on in Canada and earned from arm's length sources. Revenue would be calculated using the employer's normal accounting method but will exclude extraordinary items as well as amounts on account of capital.
- Eligible employers would include employers of all sizes and across all sectors of the economy, except for public sector entities. Eligible employer would include individuals, corporations, partnerships, non-profit organizations and charities.



- An eligible employer's entitlement to this wage subsidy will be based entirely on the salary and wages paid to its employees.
- All employers would be expected to make best efforts to top up salaries to the maximum wages covered by this subsidy (this does not appear to be mandatory).
- Eligible employers will be able to access the wage subsidy by applying for it through a Canada Revenue Agency online portal. More details on the portal and how to apply will be released once they are known.
- It is expected to take **approximately 6 weeks** before the funds are available and start flowing to the eligible employers. Employers registered for direct deposit will receive the funds quicker. (<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/direct-deposit.html>).
- Organizations that don't qualify for this wage subsidy may still qualify for the 10% wage subsidy previously announced (<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>).
- Organizations that qualify for this wage subsidy and the 10% wage subsidy and have claimed a reduction in their withholding tax remittance under the 10% wage subsidy, will get an equivalent reduction in the amount available under the Canadian Emergency Wage Subsidy (i.e. you can't receive both subsidies).
- There will be severe penalties for anyone who knowingly applies for and receives funds under this program when they don't qualify for it.

We are currently waiting for clarification on the following relating to the Canadian Emergency Wage Subsidy:

- What required information will need to be provided to the Canada Revenue Agency to apply for the subsidy?
- When will the portal be available?
- Will the 30% revenue test be adjusted for start-up companies that had little revenue in 2019, but are still impacted in a significant way?

More details regarding the Canadian Emergency Wage Subsidy can be found here:

<https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html>