

FYI[®]

For Your Information[®]

COVID-19: Federal Government Updates Subsidy Measures

This *FYI* discusses the latest Federal government announcement regarding the Canada Emergency Wage Subsidy, and the introduction of the Temporary 10% Wage Subsidy for Employers.

Volume 02

Issue 08

May 27, 2020

Authors

Karen DeBortoli, BA, LLB

Lizann Reitmeier, Health

Practice Leader, Canada

Canada Emergency Wage Subsidy extension

The Government has announced that the Canada Emergency Wage Subsidy (CEWS) will be extended until August 29, 2020. It was originally scheduled to expire June 6.

Eligibility for CEWS has also been expanded to include the following:

- Partnerships up to 50% owned by non-eligible members, and partnerships where partners are Indigenous governments and eligible employers;
- Non-public schools and colleges, including institutions offering specialized training (arts, driving, language, etc.);
- Indigenous government-owned corporations carrying on a business;
- Registered Canadian amateur athletic associations; and
- Registered journalism organizations.

The Government is conducting consultations on potential adjustments to the CEWS, including the 30% revenue decline threshold, and will announce additional details as they are finalized. The Government is also planning to introduce legislative amendments to address issues such as the treatment of corporations formed by amalgamation and employers of seasonal employees, and the alignment of eligibility rules for trusts and corporations.

New 10% Temporary Wage Subsidy

In addition to the CEWS, the new 10% Temporary Wage Subsidy for Employers will let eligible employers reduce the payroll deductions remitted to the Canada Revenue Agency (CRA) for a three-month period between March 18 and June 19, 2020. The subsidy provided is equal to 10% of remuneration paid during the Subsidy Program's operation, up to \$1,375 per eligible employee to a maximum of \$25,000 per eligible employer. Eligibility details are as follows:

- *Eligible employers:* Individuals (excluding trusts), partnerships, non-profits, registered charities, and Canadian-controlled private corporations (CCPCs) meeting specific requirements, including cooperative corporations. Partnerships are only eligible if their members consist of individuals, registered charities, other eligible partnerships, or eligible CCPCs.
- *Eligible employees:* Individuals employed in Canada.
- *Eligibility requirements:* An eligible employer must have had both an existing business number and a payroll program account with CRA on March 18, 2020, and must pay salary, wage, bonuses, or other remuneration to eligible employees.

No change is made to the current process for deducting income tax, Canada Pension Plan (CPP), and Employment Insurance (EI) premiums from employee remuneration. Note that employers **cannot** reduce their CPP and EI remittances — employer and employee contributions and premiums must still be remitted to CRA. The subsidy is calculated when these amounts are remitted to CRA.

Eligible employers must calculate the subsidy amount manually, based on the total number of eligible employees employed at any time during the Subsidy Program's operation. Calculation examples are provided to assist employers. Once an employer calculates its subsidy, it can reduce its payroll remittance for federal, provincial, or territorial income tax by that amount (up to the employee and employer maximums noted above). Employers can start reducing remittances for the first period that includes remuneration paid from March 18 to June 19, 2020.

Other facts about the Subsidy Program:

- The subsidy amount is considered taxable income.
- It applies to remittances made to CRA only — it does not apply to remittances made to Revenu Québec.
- As the subsidy is calculated based on remuneration paid during the Subsidy Program's operation, it is not available to eligible employers who are closed during that period (i.e., did not pay employees).

Next steps

Employers should review the [CEWS program](#) and determine whether or not they qualify for the subsidy in its extended operation period. Eligible employers should perform the necessary calculations to claim the Subsidy Program. Note that employers who qualify for the CEWS should apply for the Subsidy Program first, as the subsidy amount may impact the CEWS calculation.

For more information on these announcements and their impact on your organization, talk to your Buck consultant or contact the Knowledge Resource Centre at talktocanada@buck.com or +1 866 355 6647. For the latest from Buck about the COVID-19 crisis, please refer to: <https://buck.com/ca/expertise/covid-19-key-considerations-for-employers/>.

Produced by the Knowledge Resource Centre

The Knowledge Resource Centre is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive.

You are welcome to distribute *FYI*® publications in their entirety.

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.