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Canadian Emergency Wage Subsidy (CEWS) revised and extended

In May 2020 Finance Minister Bill Morneau announced that the Government of Canada would extend the 75% wage subsidy by an additional 12 weeks to August 29, 2020 with the same eligibility criteria that applied to the initial periods. Draft legislation is under review with Bill C-20 which includes revisions and changes that are intended to support more workers and businesses and proposes a further extension of the CEWS until December 19, 2020

Details of the proposal are found at <https://www.canada.ca/en/department-finance/news/2020/07/adapting-the-canada-emergency-wage-subsidy-to-protect-jobs-and-promote-growth.html>

Changes have been made to how the subsidy is calculated for the periods starting on or after July 5, 2020. Some proposed changes include:

Effective July 5, 2020 the CEWS will now consist of two parts for the remuneration of active employees:

1. A base subsidy of a specified rate on remuneration of up to \$1129 per week, that will vary depending on the amount of decline in revenue. The base subsidy will now also be extended to employers with a revenue decline of less than 30 percent, so all eligible employers with a revenue decline will qualify for the subsidy
2. A top-up subsidy of up to an additional 25% for employers that have been most impacted by the COVID crisis. Eligibility would be determined by the change in eligible revenues for a 3-month period compared to the same 3 months in the prior year.

Formulas for calculation of the Top-Up subsidy and overall CEWS rate are detailed in the link provided above.

For period 5 (July 5, 2020 -August 1, 2020) and period 6 (August 2, 2020 to August 29, 2020) employers with a revenue drop of 30% or more will be able to obtain a CEWS rate of at least 75 % as under the previous rules or a higher rate (up to 85%) using the new rules for the most adversely affected employers.

For Period 5 and onward, employers have the option of using one of 2 approaches to determine change in monthly revenues.

1. The General method provides for comparison of the current month to the same month in 2019 or comparison of the previous month to the previous month in 2019.
2. The Alternative approach allows comparison of the current month or previous month to an average of January and February 2020.

Employers are not required to proceed using the same approach used previously in periods 1-4 and may elect to use the other approach for Periods 5 and onward.

For furloughed employees, beginning in Period 7 (starting August 30, 2020) there will be a separate rate structure where CEWS support will align with the benefits provided through the Canada Emergency Response Benefit (CERB) and/or Employment Insurance.

For arms length employees baseline remuneration is no longer part of the calculation. For employees that do not deal at arm's length with the employer a modified rule has been proposed where the wage subsidy will be available to non-arms length employees employed prior to March 16, 2020 based on the weekly eligible remuneration or pre-crisis remuneration, whichever is less, up to a maximum of \$1,129.

This brief overview does not include all of the significant changes proposed in Bill C-20 for the CEWS program. If you require help with interpretation of the rules of calculation of the subsidy please contact GPI