

IMPORTANT UPDATES

Canada Emergency Wage Subsidy: For Employers

On July 17, 2020 the Department of Finance announced proposed changes to the CEWS program which provides both an extension and broadens the reach of the program.

The information contained in this post is current as of July 20, 2020 and includes our interpretations of publicly-available information that is subject to change during this rapidly-evolving pandemic. As more information becomes available from the Department of Finance and/or the Canada Revenue Agency, we will continue to provide you updates. Please ensure you are relying on the most current information possible for any government assistance plans relating to the COVID-19 pandemic. Not all government legislation relating to these programs has been finalized and enacted, so some important details may be lacking but we continue to monitor these matters and can assist you with applying the information available to your circumstances. Contact your Ford Keast advisor if you are unsure about any items contained in these updates or if you wish to discuss how these items relate to your specific situation or if you would like assistance in completing your applications.

Changes of Note:

Eligible periods

- ❖ Original program included a 12-week period covering from March 15th to June 6th, 2020 and provided a 75% wage subsidy
- ❖ On May 15, 2020, the program was extended to include an additional 12 weeks up to August 29th, 2020 but no additional clarification was offered at that time
- ❖ The program has now again been **extended to November 21st, 2020** and draft legislation has now been released

Subsidy Format

- ❖ For period 1 – 4 covering from March 15th to July 4th, program was a refund of 75% of eligible wages up to a maximum benefit of \$847 per week
- ❖ For period 5 – 9, covering from July 5th to November 21st, the subsidy will now be made up of two parts:
 - ◆ a **base subsidy** available to all eligible employers that are experiencing a decline in revenues, with the subsidy amount varying depending on the scale of revenue decline up to a maximum of 60%; and
 - ◆ a **top-up subsidy** of up to an additional 25 per cent for those employers that have been most adversely affected by the COVID-19 crisis.

Base Subsidy

The rate of the base CEWS now varies depending on the level of revenue decline, and its application is extended to employers with a revenue decline of less than 30 per cent. This means that all eligible employers with a revenue decline would now qualify for CEWS support.

The maximum base CEWS rate will be gradually reduced from 60 per cent in Periods 5 and 6 (July 5 to August 29) to 20 per cent in Period 9 (October 25 to November 21).

Period	Period 5: Jul 5 – Aug 1	Period 6: Aug 2 – Aug 29	Period 7: Aug 30 – Sept 26	Period 8: Sept 27 – Oct 24	Period 9: Oct 25 – Nov 21
Maximum weekly benefit per employee	Up to \$677	Up to \$677	Up to \$565	Up to \$452	Up to \$226
Subsidy if Revenue drop 50% and over	60%	60%	50%	40%	20%
Subsidy if Revenue drop 0% to 49%	1.2 x revenue drop (e.g., 1.2 x 20% revenue drop = 24% base CEWS rate)	1.2 x revenue drop	1 x revenue drop	0.8 x revenue drop	0.4 x revenue drop

Top-Up Subsidy

Additional subsidy of up to 25% for eligible employers with a revenue decline exceeding 50%.

Measurement of the revenue decline will be measured by comparing the revenues in the preceding 3 months to the same months in the prior year or alternatively using the revenue drop of the average month revenue decline in the 3 preceding months to the average monthly revenues from January and February 2020.

Top-Up Calculation = 1.25 x (3 Month revenue decline – 50%)

3 Month Average Revenue Decline	Top-Up CEWS Rate
70% and over	25%
65%	18.75%
60%	12.5%
55%	6.25%
50% and Under	0%

Safe Harbour Rule

For Periods 5 and 6, an eligible employer would be entitled to a CEWS rate not less than the 75% amount they would be entitled to under the CEWS rules that were in place for Periods 1 to 4.

Eligible Remuneration for Non-Arm's Length Employees

As was previously the case, the wage subsidy for non-arm's length employees was impacted by the baseline remuneration paid to such employee between January 1, - March 15, 2020.

New Pre-Crisis remuneration base calculation is as follows:

- ❖ Period 4, the pre-crisis remuneration is based on the average weekly remuneration paid to the employee from January 1 to March 15, 2020; from March 1, 2019 to May 31, 2019; or from March 1, 2019 to June 30, 2019.
- ❖ For Period 5 - 9, the pre-crisis remuneration is based on the average weekly remuneration paid to the employee from January 1 to March 15, 2020 or from July 1, 2019 to December 31, 2019.

Eligible periods and measuring revenue decline

For Periods 1 – 4, employers were required to be consistent with the approach chosen when calculating the revenue decline. For period 5 and onwards, the choice can again be made between the two approaches but then must again remain consistent until the end of the program.

	Claiming period	Reference period for eligibility for BASE CEWS	Reference period for eligibility for CEWS TOP-UP
Period 5	July 5 – August 1	<ul style="list-style-type: none"> July 2020 over July 2019 or June 2020 over June 2019; or July 2020 or June 2020 over average of January and February 2020 	<ul style="list-style-type: none"> April to June 2020 over April to June 2019; or April to June 2020 average over January and February 2020 average
Period 6	August 2 – August 29	<ul style="list-style-type: none"> August 2020 over August 2019 or July 2020 over July 2019; or August 2020 or July 2020 over average of January and February 2020 	<ul style="list-style-type: none"> May to July 2020 over May to July 2019; or May to July 2020 average over January and February 2020 average
Period 7	August 30 – September 26	<ul style="list-style-type: none"> September 2020 over September 2019 or August 2020 over August 2019; or September 2020 or August 2020 over average of January and February 2020 	<ul style="list-style-type: none"> June to August 2020 over June to August 2019; or June to August 2020 average over January and February 2020 average
Period 8	September 27 – October 24	<ul style="list-style-type: none"> October 2020 over October 2019 or September 2020 over September 2019; or October 2020 or September 2020 over average of January and February 2020 	<ul style="list-style-type: none"> July to September 2020 over July to September 2019; or July to September 2020 average over January and February 2020 average
Period 9	October 25 – November 21	<ul style="list-style-type: none"> November 2020 over November 2019 or October 2020 over October 2019; or November 2020 or October 2020 over average of January and February 2020 	<ul style="list-style-type: none"> August to October 2020 over August to October 2019; or August to October 2020 average over January and February 2020 average

Other Notable Changes

- ❖ Eligible remuneration will no longer be tied to baseline remuneration other than in the case of non-arm's length employees
- ❖ An "eligible employee" will now be permitted to be without remuneration for 14 or more consecutive days in a Qualifying Period
- ❖ Additional proposed changes for the calculation in the revenue decline in certain situations where an employer has purchase all or substantially all of the assets used to carry on the seller's business