

IMPORTANT UPDATES

The Department of Finance has now extended the CEWS and CERS programs, which were previously set to expire after June 5th, 2021, and has introduced a new program called the Canada Recovery Hiring Program. This tax alert summarizes the Covid-19 measures impacted by the 2021 Budget.

The information contained in this post is current as of May 31, 2021 and includes our interpretations of publicly available information that is subject to change during this rapidly evolving pandemic. Please ensure you are relying on the most current information possible for any government assistance plans relating to the COVID-19 pandemic. 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.

Canada Emergency Wage Subsidy

The program has now been extended until Period 20 covering wages up to September 25, 2021. However, the Federal Budget released earlier this year has provided the government with the ability to extend for an additional two periods up to November 20, 2021. Additional details and legislation regarding periods 17-20 of the Canada Emergency Wage Subsidy (“CEWS”) program covering from June 6th, 2021, to September 25, 2021, are outlined below.

Eligible periods:

- ❖ Period 17: June 6th – July 3rd
- ❖ Period 18: July 4th – July 31st
- ❖ Period 19: August 1st – August 28th
- ❖ Period 20: August 29th – September 25th

Subsidy rates:

The baseline subsidy rate of the base CEWS will continue to vary as it remains a function of the revenue decline percentage, however, the government has extended the current rate structure for periods 14-16 meaning the maximum base subsidy will be as follows:

	Period 17 Jun 6 – Jul 3	Period 18 Jul 4 – Jul 31	Period 19 Aug 1 – Aug 28	Period 20 Aug 29 – Sept 25
Max. weekly benefit per employee*	\$847	\$677	\$452	\$226
Revenue decline:				
70% and over	75% (i.e., Base: 40% + Top-up: 35%)	60% (i.e., Base: 35% + Top-up: 25%)	40% (i.e., Base: 25% + Top-up: 15%)	20% (i.e., Base: 10% + Top-up: 10%)
50-69%	Base: 40% + Top-up: (revenue decline - 50%) x 1.75 (e.g., 40% + (60% revenue decline - 50%) x 1.75 = 57.5% subsidy rate)	Base: 35% + Top-up: (revenue decline - 50%) x 1.25 (e.g., 35% + (60% revenue decline - 50%) x 1.25 = 47.5% subsidy rate)	Base: 25% + Top-up: (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x 0.75 = 32.5% subsidy rate)	Base: 10% + Top-up: (revenue decline - 50%) x 0.5 (e.g., 10% + (60% revenue decline - 50%) x 0.5 = 15% subsidy rate)

>10-50%	Base: revenue decline x 0.8 (e.g., 30% revenue decline x 0.8 = 24% subsidy rate)	Base: (revenue decline - 10%) x 0.875 (e.g., (30% revenue decline - 10%) x 0.875 = 17.5% subsidy rate)	Base: (revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	Base: (revenue decline - 10%) x 0.25 (e.g., (30% revenue decline - 10%) x 0.25 = 5% subsidy rate)
0-10%	Base: revenue decline x 0.8 (e.g., 5% revenue decline x 0.8 = 4% subsidy rate)	0%	0%	0%
* The maximum weekly benefit per employee is equal to the maximum combined base subsidy and top-up wage subsidy for the qualifying period applied to the amount of eligible remuneration paid to the employee for the qualifying period, on remuneration of up to \$1,129 per week.				

Revenue Decline Reference Periods:

The revenue approach used to determine the relevant revenue decline must be consistent for all periods from period 5 onwards. The revenue decline calculation is summarized as follows:

Timing	Period 17 Jun 6 – Jul 3	Period 18 Jul 4 – Jul 31	Period 19 Aug 1 – Aug 28	Period 20 Aug 29 – Sept 25
General approach	June 2021 over June 2019 or May 2021 over May 2019	July 2021 over July 2019 or June 2021 over June 2019	August 2021 over August 2019 or July 2021 over July 2019	September 2021 over September 2019 or August 2021 over August 2019
Alternative approach	June 2021 or May 2021 over average of January and February 2020	July 2021 or June 2021 over average of January and February 2020	August 2021 or July 2021 over average of January and February 2020	September 2021 or August 2021 over average of January and February 2020

Baseline Remuneration Periods

Baseline remuneration means the average weekly eligible remuneration paid to an eligible employee by an eligible employer during the period beginning January 1, 2020 and ending March 15, 2020 and excludes any period of seven or more consecutive days for which the employee was not remunerated.

An additional election for an alternative baseline remuneration can be made allowing an employer to elect to use the period from March 1 to June 30, 2019, or July 1 to December 31, 2019 (for periods between June 6th and July 3rd) and July 1 to December 31, 2019, for qualifying periods beginning after July 3, 2021, to calculate baseline remuneration.

Previous Periods

Applications for periods 1-9 have now been closed. While applications for periods 10 onwards are still open, deadlines are quickly approaching with due dates of 180 days after the end of the qualifying period.

For additional information regarding these periods, please see our previous articles and updates as follows:

- ❖ [March 11, 2021 Update: Periods 14 - 16](#)
- ❖ [January 4, 2021 Update: Periods 11- 13](#)
- ❖ [November 5, 2020 Update: Periods 8 - 10 and Program Extension](#)

Canada Emergency Rental Subsidy

The Canada Emergency Rental Subsidy (CERS) was previously announced to provide assistance to commercial and industrial tenants who were negatively impacted by Covid-19. The subsidy provides 65% of eligible expenses, plus a 25% top up subsidy for entities forced to close due to government restrictions. The CERS program which was previously to expire June 5th has now been extended to September 25, 2021. However, the maximum base rent subsidy rate will begin to decline for future periods.

Subsidy rates:

As of period 11, only entities with a revenue decline of greater than 10% will be eligible to claim eligible expenses under the CERS program. The 25% lockdown support will remain to be 25% throughout period 13. The maximum base rent subsidy rate will be as follows:

Revenue Decline	Period 10 (June 6 to July 3)	Period 11 (July 4 to July 31)	Period 12 (August 1, to August 28)	Period 13 (August 29 to September 25)
70% and over	65%	60%	40%	20%
>50% and <70%	$40\% + (\text{revenue decline} - 50\%) \times 1.25$	$35\% + (\text{revenue decline} - 50\%) \times 1.25$	$25\% + (\text{revenue decline} - 50\%) \times 0.75$	$10\% + (\text{revenue decline} - 50\%) \times 0.5$
>10-50%	Revenue decline $\times 0.8$	$(\text{Revenue decline} - 10\%) \times 0.875$	$(\text{Revenue decline} - 10\%) \times 0.625$	$(\text{Revenue decline} - 10\%) \times 0.25$
0-10%	Revenue decline $\times 0.8$	0%	0%	0%
* Expenses for each qualifying period are capped at \$75,000 per location and are subject to an overall cap of \$300,000 that is shared among affiliated entities.				

Revenue Decline Reference Periods:

The relevant revenue decline reference periods will be identical to those referenced above for CEWS periods 17 – 20.

Previous Periods:

Applications for periods 1 and 2 have now been closed while applications for periods 3 onwards remain open and available to eligible entities.

For additional information regarding these periods, please see our previous articles and updates as follows:

- [November 25, 2020 CERS Program Update](#)

Canada Recovery Hiring Program

The Canada Recovery Hiring Program is a new subsidy for employers that experience a revenue decline from June 6, 2021, to December 25, 2021. Employers can either claim the CRHP or CEWS for a particular period but not both.

Revenue Decline Eligibility:

To qualify for the CRHP, an eligible employer's revenue decline in a qualifying period must be greater than:

- ❖ 0% for the period June 6, 2021, to July 3, 2021
- ❖ 10% for the period July 4, 2021, to Nov. 20, 2021

Businesses that experience a revenue decline may be able to cover a portion of their payroll cost using the CRHP and need to gauge the benefit of the CRHP over the CEWS in order to maximize the subsidy received. Unlike the CEWS, the CRHP is available to the employers as a proportion of the increase in remuneration paid to employees.

Incremental remuneration for a qualifying period means the difference between an employer's total eligible remuneration paid to eligible employees for the qualifying period and its total eligible remuneration paid to eligible employees for the baseline period. In both the qualifying period and the baseline period, eligible remuneration for each eligible employee will be subject to a maximum of \$1,129 per week.

Dates Used to Calculate Incremental Remuneration

Qualifying period	Period 17	Period 18	Period 19	Period 20	Period 21	Period 22
Qualifying period dates	Jun 6 to Jul 3, 2021	Jul 4 to Jul 31, 2021	Aug 1 to Aug 28, 2021	Aug 29 to Sept 25, 20 21	Sept 26 to Oct 23, 2021	Oct 24 to Nov 20, 2021
Baseline period	March 14 to April 10, 2021					
<i>*Period 17 of the Canada Emergency Wage Subsidy would be the first period of the Canada Recovery Hiring Program. Period identifiers have been aligned for ease of reference.</i>						

Sources for the information above are:

- i. McCarthy Tetrault Tax Perspectives: Federal Government Announces Changes to the CEWS and CERS Programs and Introduces the Canada Recovery Hiring Program
- ii. RSM 2021 Canada Federal Budget: Detailed Commentary