



April 9, 2020

## COVID-19

### Impact on Businesses

#### CEWS - New Criteria Will Help More Businesses Qualify

On April 8th, there were significant changes announced to the Canada Emergency Wage Subsidy (“CEWS”). Prior to this announcement, to qualify for the CEWS, businesses had to demonstrate that their revenue for the months of March, April and May 2020 had decreased by at least 30% from the same months in the prior year.

The most significant change is that the decrease in revenue requirement of 30% has now been lowered to 15% for the month of March 2020. As well, businesses can now choose one of two methods of calculating the decline in revenue, as outlined in the following table:

#### Eligible Periods

	CLAIMING PERIOD	REQUIRED REDUCTION IN REVENUE	REFERENCE PERIOD FOR ELIGIBILITY
<b>Period 1</b>	March 15 - April 11	15%	March 2020 over: <ul style="list-style-type: none"><li>• March 2019 or</li><li>• Average of January and February</li></ul>
<b>Period 2</b>	April 11 - May 9	30%	April 2020 over: <ul style="list-style-type: none"><li>• April 2019 or</li><li>• Average of January and February</li></ul>
<b>Period 3</b>	May 10 - June 6	30%	May 2020 over: <ul style="list-style-type: none"><li>• May 2019 or</li><li>• Average of January and February</li></ul>





Please note that the “reference period” for eligibility based on revenue is the calendar month. The “claiming period” is the period in what the remuneration payment date falls. For example, if March 2020 revenue has declined 20%, remuneration paid from March 15 to April 11 inclusive will be eligible for the CEWS.

The government stated that businesses can choose to measure revenues using accrual or cash-based accounting. Once an accounting method is chosen it must be used for all three periods.

Non-profit organizations and registered charities have been given the option to include or exclude government funding in calculating the decrease in revenue to determine eligibility for the CEWS.

As was previously announced, the CEWS is calculated on eligible remuneration of an employee paid between March 15, 2020 and June 6, 2020 that is the greater of:

- 75% of the remuneration paid, up to a maximum benefit of \$847 per week; and
- the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee’s pre-crisis weekly remuneration, whichever is less.

In its latest statement, the government has indicated that pre-crisis remuneration is based on the average weekly remuneration paid between January 1 and March 15, 2020, excluding any seven-day periods in respect of which employees did not receive any remuneration. The government had previously stated that eligible remuneration includes salaries, wages, and other remuneration but does not include severance or items such as stock option benefits or the personal use of a corporate vehicle. It has now indicated that taxable benefits are included in eligible remuneration. Remuneration paid to employees who have not been without remuneration for more than 14 consecutive days in an eligibility period will be eligible for the subsidy.

The government also announced a 100% refund of certain employer-paid Employment Insurance and Canada Pension Plan contributions for employers who are eligible for the CEWS. The refund will be available for each week an employee is on leave with pay.





When the CEWS program was first announced, the government indicated that penalties for abuse of the program would be severe. They have now confirmed that in addition to having to repay any subsidy improperly claimed, employers will be subject to a penalty of 25% of the subsidy claimed. While the CEWS must be approved by Parliament, the government has indicated the subsidy should be accessible to eligible businesses through “My Business Account” in three weeks.

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## Canada Student Summer Job Program

The government also announced changes to the Canada Student Summer Jobs program. Employers hiring students through this program will be eligible for up to a 100% wage subsidy to a maximum of the provincial minimum wage. The end date of the program has been extended to February 2021 and part-time employment is also included in the subsidy program.

**Please note that due to the rate at which the current COVID-19 situation is changing, and the response by government to feedback on its initiatives, the information contained in this update is accurate as of the release date indicated above. Clients can monitor updates to the Department of Finance announcements at the following link:**



<https://www.canada.ca/en/department-finance/news.html>

**Details of the April 8th announcement can be found at the following link:**



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

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