

## Connecting the dots:

# Canada Emergency Relief Benefit (CERB) & Canada Emergency Wage Subsidy (CEWS)

APRIL 22, 2020

The government of Canada has provided another level of much-needed detail around the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Relief Benefit (CERB).

Employers experiencing hardship from the COVID-19 crisis have a choice to make over the coming days about whether they will:

- keep or re-hire employees and have the government help support their payroll costs with one of the two wage subsidy programs; or
- if they will lay people off and direct their team members to the Canadian Emergency Relief Benefit for financial help.

This will not be an easy decision for the owners and managers in businesses and organizations across the country though they can be assured that there is help for their people regardless of their decision.

It is important to note that the federal government has not included a lot of red tape in the application processes to ensure money can get to Canadians quickly. They are relying on Canadians to act like Canadians – with honesty and with integrity - and have threatened severe action if there is misuse of the crisis programs.

Please refer to our related *Connecting the Dots* document for more general information on support programs provided by the federal and provincial governments.

## Canada Emergency Wage Subsidy

### 75% Wage Subsidy for Organizations Experiencing a Financial Loss

The Canada Emergency Wage Subsidy (CEWS) will assist Canadian businesses struggling financially due to the COVID-19 crisis. The program will provide a 75% wage subsidy for businesses experiencing a revenue decrease of 30% or more (15% in March 2020). As program eligibility will not be tied to number of employees, big corporations, SMEs, not-for-profit organizations and charities alike can qualify for the subsidy.

Bill C-14 was passed by Parliament on April 11, 2020 and brought into effect the details of the new program.

## How it works

The employer wage subsidy is affected through amendments to the *Income Tax Act*. The tax system is the foundation of the wage subsidy, in that the subsidy itself has been designed to be a *deemed overpayment of tax* by qualifying companies, with the Government of Canada being required to remit these deemed overpayments back to companies.

The bill creates a wage subsidy (technically, a tax overpayment) in the amount of \$847 per week or 75 per cent of a worker's wage, whichever is lower.

The program is structured with four separate periods:

ELIGIBLE PERIOD		
	CLAIMING PERIOD	REVENUE REFERENCE POINT
1	March 15 – April 11	March 2019
2	April 12 – May 9	April 2019
3	May 10 – June 6	May 2019
4	potential "prescribed period" (not past Sept 30, 2020)	

## Who qualifies?

A broad range of organizations are eligible: corporations, individuals, non-public charities, partnerships or other "prescribed" organizations. This gives the Finance minister flexibility to designate organizations that may come up as not technically fitting other definitions.

The principal qualifying criterion is a drop of revenue of **15 per cent in the first period** (March 15<sup>th</sup> – April 11<sup>th</sup>) and a revenue drop of **30 per cent in the April 12<sup>th</sup> – June 6<sup>th</sup> phase**. The bill allows for flexibility in establishing a subsequent period by the Minister of Finance, up to September 30<sup>th</sup>.

For any entities that were not in commercial operation or not receiving revenues as far back as March 2019,

the revenue reference point is January and February 2020. This calculation is available for any entity that wishes to use an average of January and February 2020 to demonstrate the required revenue decline.

Qualifying revenue is fairly broad in definition, including inflow of cash, receivables "or other considerations" for goods or services. It includes membership fees and other revenues derived from ordinary activities of the entity. The bill contains common-sense exclusions to calculate revenue, including inter-company transfers or overpayments.

## How is the wage subsidy level calculated?

The subsidy level for each position is calculated as the *average weekly remuneration of an employee between January 1<sup>st</sup> and March 15<sup>th</sup> of this year*. Again, it caps out at \$847 per week.

It does not include employees who are unemployed for 14 days or more (i.e. in the EI system). There will be a mechanism for companies to hire back workers that applied for CERB. The interaction of the programs has yet to be clearly articulated.

The wage level is exclusive of bonuses above baseline pay, retirement allowances, direct or indirect loans, or any front-end loaded remuneration schemes that have a higher January-March 15<sup>th</sup> pay with an expectation of lower work and lower remuneration past that period.

## When will businesses be able to apply?

The application portal is expected to launch on April 27, 2020 and the federal government anticipates that most applications will be processed by May 5.

A calculator now available on the CRA website allows businesses to calculate how much they can claim through the wage subsidy.

## Refund of certain employer contributions for employees on paid leave

Qualifying businesses that have CEWS-eligible employees on paid leave can apply for a refund of employer contributions to EI, CPP, QPP, and QPIP for the qualifying period. Employers will need to remit both employer and employee contributions and apply

for the refund of the employer portion when they apply for CEWS.

The federal government is also continuing to engage in consultation with employers and sectors who do not qualify under the existing wage subsidy criteria to address gaps.

For more information – [LINK](#)

## Canada Emergency Response Benefit

The CERB is a taxable government payment meant to help those who have lost their jobs, been laid off, or are where circumstances that have resulted in sudden loss of income due to the COVID-19 pandemic. It offers \$2000 per month for up to four months (16-weeks).

Those who qualify for the CERB include:

- Workers who are still employed but are not receiving income because of COVID-19-related disruptions to their work situation, will qualify for the CERB.
- Any workers who do not qualify for Employment Insurance (E.I.) are eligible to apply, including wage workers, self-employed and contract workers.
- Anyone who has applied for the previous relief programs (Emergency Care Benefit & Emergency Support Benefit) will be automatically migrated to the new benefit and does not need to reapply.
- Applications for EI will automatically be moved to the CERB program. The application process for CERB opened on April 6, 2020.

To address gaps, the CERB will now also be available to:

- Workers with part time income of less than \$1000 a month
- People who have depleted their EI eligibility
- Seasonal workers who are not getting their normal seasonal work, including in the agriculture sector

The federal government has also announced that essential workers will receive a ‘top up’ if they earn less than \$2500 a month. The government will work with provinces and territories through a new transfer to cost-share a temporary top-up to the salaries of workers deemed essential. This is intended to help keep essential workers on the job by ensuring that they earn more than they would receive through the CERB.

More information - [LINK](#)

## Additional supports for Canadians

The federal government has also announced several additional measures to assist Canadians facing hardship as a result of the COVID-19 outbreak, including:

- A one-time special payment through the GST Credit for low and modest income households
- Enhanced Canada Child Benefit for 2019-20
- Deferring the filing due date for the 2019 tax returns of individuals
- A six-month interest-free moratorium on the repayment of Canada Student Loans for all student loan borrowers
- Reduced minimum withdrawals from Registered Retirement Income Funds (RRIFs)

More information - [LINK](#)

Individual provinces and territories have also announced additional supports for Canadian individuals and households. We encourage you to explore online government resources to identify specific programs. Please consult our other resource document for information about provincial and territorial business programs.