

Canada Emergency Wage Subsidy (CEWS)

The **Canada Emergency Wage Subsidy (CEWS)** was announced on March 27, 2020 to provide eligible employers a 75% wage subsidy for up to 12 weeks, retroactive to March 15, 2020.

Updates as of July 17, 2020

On July 17, 2020, the Government of Canada announced proposed changes to the Canada Emergency Wage Subsidy (CEWS) to allow greater access to the program by employers. While the proposed changes loosen eligibility requirements, there is added complexity, most significantly, on how benefits are calculated for qualifying periods beginning after July 4, 2020. For full details, please read our [latest blog](#).

CEWS aims to prevent further job losses, encourage employers to re-hire workers who have lost their jobs due to COVID-19 and help Canadian businesses resume normal operations after the crisis.

Updates as of April 21, 2020

- The application portal will open **Monday, April 27th**
- You do have **the ability to hire your employees retroactive to March 15th**. If you've been closed and have laid off your employees, you can now calculate retroactive pay and then claim the subsidy for that pay. You **MUST PAY** out the funds to your employees, prior to being able to make the submission.
- If you provide your employees with retroactive pay, and they've collected CERB or EI, they will have to repay those amounts.
- CRA has created an online calculator, for those that are interested in calculating their subsidy entitlement. (It's a fair bit of work, just to forewarn you.) Visit:
<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html>

Eligible Employers for CEWS

Eligible employers include **individuals, taxable corporations, partnerships consisting of eligible employers, non-profit organizations and registered charities.**

The subsidy is available to employers that see a drop of at least 15% of their revenue in March 2020 and 30% for the following months (see Eligible Periods) compared to the reference period.

Employers must remain consistent in their chosen reference period for the entire duration of the program whether they choose to use the monthly revenues year over year or the January and February 2020 average.

Once an employer is found eligible for a specific period, the employer automatically qualifies for the next period.

Eligible Periods

Claiming Period		Required Reduction in Revenue	Reference Period for Eligibility
Period 1	March 15 to April 11	15%	March 2020 over: * March 2019 or * Average of January & February 2020
Period 2	April 12 to May 9	30%	Eligible for Period 1 OR April 2020 over: * April 2019 or * Average of January & February 2020
Period 3	May 10 to June 6	30%	Eligible for Period 2 OR May 2020 over: * May 2019 or * Average of January & February 2020

	New Qualifying Period	Current Reference Period	Prior Reference Period
4	June 7 – July 4, 2020	June 2020	June 2019
5	July 5 – August 1, 2020	July 2020	July 2019
6	August 2 – August 29, 2020	August 2020	August 2019
7	August 30 – Sept 26, 2020	September 2020	September 2019
8	September 27 – October 24	October 2020	October 2019
9	October 25 – November 21	November 2020	November 2019

Calculating Revenues

Employers should include revenue earning in Canada from arm's-length sources calculated using the business' normal accounting method and exclude revenues from extraordinary items and amounts on account of capital. Wage subsidies received in a given month are not considered revenue.

Revenue can be calculated **under the accrual method or the cash method but not a combination of both**. Employers would select an accounting method when first applying and would be required to use that method for the duration of the program.

For registered charities and non-profit organizations, the calculation would include most forms of revenue, excluding revenue from non-arm's length persons. Organizations can choose whether or not to include revenue from government sources.

Amount of Subsidy

The subsidy amount for a given eligible employee on eligible remuneration paid **for the period between March 15 and June 6, 2020** would be the greater of:

- 75% of 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

Employers may be eligible for a subsidy of up to 100% of the first 75% of pre-crisis wages or salaries of existing employees. Employers are expected to maintain employees' pre-crisis employment earnings where possible.

Pre-crisis remuneration would be based **on the average weekly remuneration paid between January 1 and March 15 inclusively**, excluding any seven-day periods where an employee did not receive remuneration.

Employers are also eligible to claim a subsidy for **new arm's length employees** hired after March 15, 2020.

Refund for Certain Payroll Contributions

The legislation now includes a **new 100% refund for certain employer-paid contributions to EI and CPP**. This refund covers 100% of employer-paid contributions for eligible employees for each week throughout which those employees are on leave with pay and for which the employer is eligible to claim for the CEWS for those employees.

An employee is considered to be **on leave with pay throughout a week if that employee is remunerated by the employer for that week but does not perform any work** for the employer in that week.

This refund is not available for eligible employees that are on leave with pay for only a portion of a week. There is no overall limit on the refund amount than an eligible employer may claim.

Employers are required to **continue to collect and remit employer and employee contributions for EI and CPP as usual**, the refund as described will be applied for at the same time as CEWS.

How to Apply

Eligible employers would be able to apply for the CEWS through the **Canada Revenue Agency's My Business Account portal as well as a web-based application**. The portal will open Monday, April 27th, 2020.

As part of the application process employers will attest their decline in revenues is sufficient to qualify as well as report the total remuneration paid during the period. Payments will be deposited into the direct deposit bank account set up with CRA.

KWB Calculation, Assessment and Application Service

KWB is offering a new service to businesses that qualify for one or more of the COVID-19 emergency subsidies. Click here for more details: <https://www.kwblp.com/kwbs-wage-subsidy-assessment-and-application/>.

FAQ

My employees are already receiving the Canada Emergency Response Benefit (CERB). Can I hire them back?

Employers are encouraged to hire their employees back as quickly as possible. To ensure that the CERB applies as intended, the government is considering implementing an approach to limit duplication. This could allow individuals rehired by their employer during the same eligibility period to cancel their CERB claim and repay the amount.

Can I claim the 75% CEWS subsidy and the 10% Temporary Business Wage Subsidy?

For employers that are eligible for both the CEWS and the 10 per cent wage subsidy for a period, **any benefit from the 10 per cent wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the CEWS** in that same period.

What are the consequences if I claim CEWS and my business isn't eligible?

Employers will be required to repay amounts under CEWS if they don't meet eligibility requirements. **Penalties may apply in fraudulent claims and it has been suggested by the Federal government that these will be severe.**

Employers that engage in artificial transactions to reduce revenue for the purpose of claiming the CEWS would be subject to a penalty equal to 25 per cent of the value of the subsidy claimed, in addition to the requirement to repay in full the subsidy that was improperly claimed.