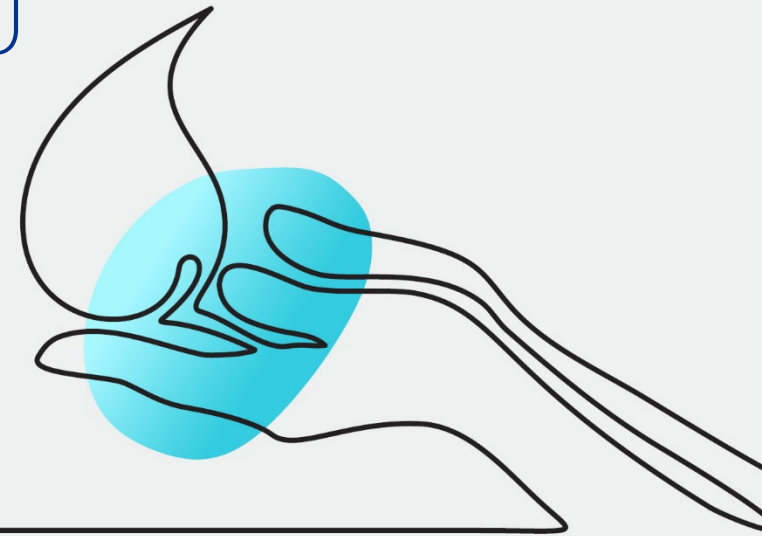




# Updates to the Federal Government Economic Enhancements

## Week Ended April 16, 2020

**APRIL 16, 2020**



# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Highlights

- April 11, 2020: Draft and Final legislation reviewed and Royal Assent received.
- 12 week measure that will allow eligible employers to receive a wage subsidy directly from Canada Revenue Agency (CRA).
- Subsidy pays up to 75% of pre-crisis wages to a maximum benefit of \$847 per week.



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Eligible Employer

Employer must be an “Eligible Entity,” which includes:

- Individual
- Corporation: Excluding a public institution or certain corporations exempt from tax
- Registered charity, not including a public institution
- Non-profit organization, labour organizations, certain agricultural organizations, boards of trade or chambers of commerce
- Partnership, all members of which are described above



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# Canada Emergency Wage Subsidy

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## Eligibility – Eligible Employer

Employers not Eligible:

- Municipalities (but not including a First Nation)
- Municipal corporations and subsidiaries, including those wholly owned by a First Nation
- Partnerships, where one of the partners is the Municipality or Municipal Corporation



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# Canada Emergency Wage Subsidy

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## Eligibility – Revenue Tests

Eligible Entity must have a decrease in revenue when:

- 15% March 2020, 30% April 2020, 30% May 2020
  - Reference Period:
    - Same month of prior year; or
    - Average revenue of January & February of 2020\*
- \*if the average is used, that is the reference period for all months
- If revenue test is met, eligible for the current and next pay period



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# Canada Emergency Wage Subsidy

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## Eligibility – Revenue Calculations

- Normal accounting practices – election to use cash based calculation
- Can elect to use consolidated revenue as basis for affiliated group of entities
- Each entity of a consolidated group can calculate revenue on an individual entity basis
- If >90% of revenue from a joint venture – look through to revenue of JV
- Charities and NPOs can elect to not include government funding from revenue



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# Canada Emergency Wage Subsidy

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## Eligibility – Revenue Calculations

- Excludes extraordinary items
- Excludes amounts from persons or partnerships not dealing at arm's length, unless the eligible entity earns more than 90% of its revenue from these sources
- If > 90% of eligible entities revenue is from partnerships or non-arms length persons, election available to use a separate calculation of qualifying revenue of current and prior period.



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Eligible Employees

- Employed in Canada
- Not without remuneration for 14 or more consecutive days in a qualifying period
- Ability to retroactively rehire employees and have employees cancel and repay CERB



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Eligible Remuneration

- Wages
- Excludes stock option benefits
- Excludes retiring allowance
- Amounts that are or expected to be repaid by the employee



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Arm's Length Employees

- Greater of 75% of either the pre-crisis weekly remuneration and the current period remuneration, to a maximum of \$847 per week (\$58,700 annual limit)\*\*
- Additional reimbursement for employer CPP & EI on wages paid to employees on leave (no maximum wage)
- Reduced by an amount benefited from the 10% wage subsidy
- Reduced by EI received by an employee in a work-share program

*\*\*recommended employers do their best to pay the extra 25% wage*



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Arm's Length Employees

– Baseline remuneration or Pre-crisis remuneration:

- The average weekly remuneration paid during the period Jan 1, 2020 – March 15, 2020, excluding any period of seven or more consecutive days



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Arm’s Length Employees

### Example #1:

- Employee earned \$500/week prior to March 15, 2020 (“baseline revenue”)
- Employee’s wage reduced and earning \$375/week after March 15, 2020

Subsidy = \$375 ((75% of \$500 (greater of baseline and current revenue), less than \$847))



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Arm’s Length Employees

### Example #2:

- Employee earned \$1,500/week prior to March 15, 2020 (“baseline revenue”)
- Employee’s \$1,500/week after March 15, 2020

Subsidy = \$847 ((75% of \$1,500 (greater of baseline and current revenue), to a maximum of \$847))



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Non Arm's Length Employees

- Least of:
  - Amount of eligible remuneration paid in the week
  - 75% of the baseline (i.e., pre-crisis) remuneration
  - \$847
- Reduced by an amount benefited from the 10% wage subsidy
- Reduced by EI received by an employee in a work-share program



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Non Arm’s Length Employees

### Example #1:

- Shareholder earned \$1,200/week prior to March 15, 2020 (“baseline revenue”)
- Shareholder earns \$1,000/week after March 15, 2020

Subsidy: \$847

- Least of:
  - \$847
  - 75% of baseline (\$900)
  - \$1,000 (amount of wage paid in the week)



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Non Arm’s Length Employees

### Example #2:

- Shareholder pays annual wage one time a year, every December. Wage paid December 2019 = \$80,000
- Shareholder decides to receive \$1,500/week starting after March 15, 2020

Subsidy: \$nil

- Least of:
  - \$847
  - 75% of baseline (\$nil)
  - \$1,500 (amount of wage paid in the week)



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Eligibility – Wage Subsidy Calculation Non Arm’s Length Employees

### Example #3:

- Shareholder takes dividends instead of salaries
- Shareholder receives \$1,000/week dividend to a salary starting March 15, 2020

Subsidy: \$nil

- Least of :
  - \$847
  - 75% of baseline (\$nil)
  - \$1,500 (amount of wage paid in the week)



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# Canada Emergency Wage Subsidy

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## Qualifying Period

Qualifying period when calculating wages paid:

- March 15 to April 11
- April 12 to May 9
- May 10 to June 6

*Some uncertainty on whether wages are prorated or based on date paid*



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# Canada Emergency Wage Subsidy

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## Anti-Avoidance Rules

Penalty = 25% of wage subsidy and repayment of wage subsidy

Applies to any attempt to engage in artificial transactions to reduce revenue for purposes of claiming the Canada Emergency Wage Subsidy



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# Canada Emergency Wage Subsidy

To support businesses that are facing revenue losses and to help prevent lay-offs

## Process

- Applications on-line via CRA Portal “My Business Account”
- Will need to manually calculate and supply: Revenue Decline, Subsidy Amount, Eligible Period
- Employers can start applying online mid May with a retroactive claim period starting March 15<sup>th</sup>
- Employers will need to re-apply monthly for the program duration



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# Federal Government Announcements- April 15, 2020

## Highlights

- Canadian Emergency Response Benefit (CERB) - Enhancements Announced April 15, 2020 (no draft legislation yet)
  - Available if earn \$1,000 or less per month
  - Seasonal employees who would have had spring/summer employment
  - EI ending
- Wage top ups for essential workers earning less than \$2,500 per month
- More benefits to be made available to post-secondary students and businesses
- CERB application now open for April 12 – May 9 period



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# Federal Government Announcements- April 16, 2020

## Highlights

- Canada Emergency Business Account (\$40K government guaranteed loan)
  - Minimum remuneration to be changed to \$20K (from \$50K)
  - Maximum increased to \$1.5M (from \$1M)
- New Canada Emergency Commercial Rent Assistance



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Questions?





# Thank you



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For the latest information on the business implications of coronavirus, visit the [KPMG Resource Centre](#).  
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