

TAX UPDATE

Response to COVID-19

April 1, 2020

Federal Finance Minister Bill Morneau addressed Canadians today to deliver additional information on the newly announced Canada Emergency Wage Subsidy (CEWS). While more details from the government are forthcoming, we would like to update you on what was learned today:

- The Temporary Wage Subsidy for Employers is still available to businesses that are not eligible for the CEWS. This subsidy is equal to 10 percent of remuneration paid from March 18 to June 20, 2020, up to a maximum of \$1,375 per employee and \$25,000 per employer.
- The CEWS is a separate program that will apply at a rate of 75 percent of the first \$58,700 normally earned by employees – representing a benefit of up to \$847 per week. This program will be in place for a 12-week period, from March 15 to June 6, 2020.
- Eligible employers who suffer a drop in gross revenues of at least 30 percent in March, April or May, when compared to the same month in 2019, would be able to access the subsidy.
- Eligible employers would include employers of all sizes and across all sectors of the economy, with the exception of public sector entities.
- An eligible employer's entitlement to this wage subsidy will be based entirely on the salary or wages actually paid to employees. All employers would be expected to at least make best efforts to top up salaries to 100 percent of the maximum wages covered.
- Eligible employers would be able to access the CEWS by applying through a Canada Revenue Agency (CRA) online portal.

What we still need to know about the CEWS:

1. How will the 30 percent decline in gross revenue be measured? Will consideration be given to issues such as bad debts or will gross revenue be determined by cash-based accounting?
2. What will be considered "best efforts" with respect to employers topping up salaries to 100 percent?
3. Will the subsidy be available to new businesses? New businesses will not have comparable monthly financial statements from the prior year.
4. Will the subsidy apply to owner-managed employees in the case of a family business?
5. How will the program be administered taking into consideration the liquidity issues being faced by businesses due to the pandemic? Employers who are monthly payroll remitters may not have sufficient cash to remit payroll deductions by the due date – will the late remittance penalties be waived?

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Even though there are still some outstanding questions, there are things that can be done by you and your advisor now so that you are able to access these programs if eligible:

- Sign up for MyAccount with the CRA.
- Set up direct deposit with the government to facilitate payments from the CRA.
- Complete monthly financial statements → your March 31, 2020 statements should be ready as soon as possible in order to apply for the subsidy when the online portal is open.
- Evaluate the different government programs to determine which will be most beneficial to your employees and your business.

What Does This Mean?

MNP understands that government is responding to the current crisis as quickly as possible. We will continue to work with government to get further clarity on this program and provide you with insights as to how to move forward in these evolving circumstances.

This situation is dynamic and government programs can change. To stay up to date and receive insights from our team, visit our [COVID-19 Business Advice Centre at MNP.ca/COVID-19](https://mnp.ca/covid-19). We're dedicated to supporting Canada's business leaders by providing timely information and practical solutions for navigating through the uncertainty of COVID-19.

For more information, contact your local MNP Advisor or visit [MNP.ca](https://mnp.ca).

