

## Latest COVID-19 Business Updates – April 2, 2020

It has been somewhat of a moving target over the past couple of weeks as the Federal Government has been trying to respond with measures to help businesses. The frustrating part has been the presentation of the measures. It seems like there is an announcement with a lack of details, and then more information (although not all details) is dribbled out over the next couple of days. These are definitely trying times.

In an effort to try and answer some of the questions we have been receiving, we are presenting a summary of the latest developments.

### 75% Wage Subsidy

In an effort to support businesses, the Federal Government announced a temporary 12 week wage subsidy. This will apply retroactively for wages paid from March 15, 2020 to June 6, 2020.

Who is eligible?

- Individuals (who employ people), taxable corporations, partnerships consisting of eligible employers, non-profit organizations and registered charities.
- If you meet the definition of an eligible employer, then you must also have suffered a drop in gross revenues of at least 30% in March, April or May when compared to the same month in 2019. When calculating the amount of revenues, you wouldn't include extraordinary items, the wage subsidy or amounts on account of capital (interest, dividends, capital gains).
  - o For each claiming period below, the revenue drop is calculated based on the drop in revenue in the following reference periods:

Claiming period	Reference period for eligibility
March 15 to April 11, 2020	March 2020 over March 2019
April 12 to May 9, 2020	April 2020 over April 2019
May 10 to June 6, 2020	May 2020 over April 2019

How much does it cover?

- The subsidy will cover up to 75% on the first \$58,700 that an employee earns, up to a maximum of \$847 a week. The Government will provide a subsidy based on the greater amount of:
  - o 75% of remuneration paid, up to a maximum of \$847 per week, or
  - o The lesser of either:
    - The remuneration paid, up to a maximum of \$847 per week, or
    - 75% of the employee's "pre-crisis" weekly remuneration (further guidance on this is still forthcoming). Presumably this definition will preclude the "massaging" of income levels to take advantage of the subsidy.
- Eligible remuneration includes salary, wages and other remuneration, but not severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.
- There is no overall limit on the total subsidy amount that an eligible employer may claim.
- Where employees do not deal at arm's length with the employer (ie. – owns shares in the company), the subsidy amount for these employees will be limited to the eligible remuneration

paid up to a maximum of \$847 per week or 75% of the employee's pre-crisis weekly remuneration.

- The subsidy also cannot be claimed for remuneration paid to an employee in a week that falls within a 4-week period for which the employee is eligible for the Canadian Emergency Response Benefit (\$2,000 per month).

How will it work?

- The Government announced that it will be 3 to 6 weeks before a portal will be available for businesses to apply for this subsidy. It appears that an eligible employer will have to attest to the fact that its revenues have declined by 30% and apply each month. It's possible that you may have one month where you qualify and another month where you don't.
- The wage subsidy will either be mailed or paid through direct deposit.
- The Government has stated that more details will follow and this legislation will need to be passed in parliament.

Other considerations?

- We would recommend that eligible employers sign up to a Canada Revenue Agency (CRA) online portal (My Business Account), if you haven't done so thus far as this appears will be the best method to apply once it is available.
- Similarly, if you haven't set up for direct deposit with CRA, you may wish to do so to expedite receipt of payment.
- It doesn't appear at this time that employers taking advantage of the subsidy will have to pay the remaining 25% of the wage amount if they are unable to, but are expected to at least make best efforts to top up salaries to 100% of the maximum wages covered.
- If you don't qualify for the 75% wage subsidy, you could still be eligible for the 10% subsidy previously announced (details below).
- If you do qualify for both the 10% subsidy and 75% subsidy, the amount of the 10% subsidy received would reduce the amount of the 75% subsidy that you could receive.
- The Government also stated that employers who do not use the subsidy as intended would face "severe and stiff" penalties, including repaying the subsidy amounts.

### **10% Business Wage Subsidy**

Small employers may be eligible for a temporary wage subsidy to help prevent lay-offs. This subsidy, which will be available for three months, will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

Which employers are eligible?

- Individuals (who have employees), businesses eligible for the small business deduction, partnerships, non-profit organizations and registered charities
- You must have an existing business number and payroll account with CRA on March 18, 2020

How much is the subsidy?

- 10% of remuneration you pay from March 18, 2020 to June 19, 2020 up to \$1,375 per employee and to a maximum of \$25,000 total per employer. (Associated companies are not required to share the \$25,000 subsidy per employer).

How to calculate?

- It will have to be done manually as CRA will not calculate the amount. Refer to CRA's link below for examples. The calculation is done on an overall basis, not by employee.

How will you receive the subsidy?

- The amount of the subsidy is deducted off the tax remittance portion withheld from the employee's pay that must be remitted in the following month. The CPP and EI portions cannot be reduced. For example, if you deducted \$2,500 of income tax from your employee's pay in March and calculated a subsidy of \$2,050, you would reduce the amount of your payroll remittances due in April by the \$2,050.

What happens if the subsidy is greater than the tax remittances?

- If this happens, you can carry this amount forward and reduce future tax remittances even if it falls beyond the June 19, 2020 period.

**Links:**

Government's 75% Wage Subsidy

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

Government's 10% Wage Subsidy

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>

CRA's My Business Account

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html>

You will want to select the "CRA register" next to the 2<sup>nd</sup> Green "CRA login" button to register.

CRA's Direct Deposit Information

<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/direct-deposit.html>