

TAX UPDATE

Response to COVID-19

April 24, 2020



Canada Emergency Wage Subsidy

The Federal Government recently announced that applications for the Canada Emergency Wage Subsidy (CEWS) will open on Monday, April 27, 2020 and has provided additional information with respect to the CEWS, including answers to some of the frequently asked questions.

An overview of this 75 percent wage subsidy program is as follows:

Qualifying Periods	Period 1 March 15 to April 11	Period 2 April 12 to May 9	Period 3 May 10 to June 6
Wages During Period	Earned between March 15 through April 11	Earned between April 12 through May 9	Earned between May 10 through June 6
Revenue Period	March 2020 revenues	April 2020 revenues	May 2020 revenues
Prior reference period (default); or	March 2019 revenues	April 2019 revenues	May 2019 revenues
Prior reference period (alternative) Note 1	May elect to use average of January and February 2020 revenues as the prior reference period for all qualifying periods		
Required decrease in revenues	15% or greater	30% or greater (deemed met if 15% or greater reduction in period 1)	30% or greater (deemed met if 30% or greater reduction in period 2)

NOTE 1 - Any entities that did not carry on business on March 1, 2019 must use January and February 2020 average revenues as the reference period.

The application process will open on **Monday, April 27, 2020**. For complete applications that pass through Canada Revenue Agency's (CRA) system validations, a payment will be issued automatically, though some applications may be selected for a pre-claim review. Generally, you can expect to receive your payment within 10 business days from the application date as long as you are registered for direct deposit on your **payroll account**.

The CRA will use a combination of automated queries and validation within its data (i.e. historical payroll filings), follow up phone calls to verify certain elements of the claim if necessary, and more comprehensive post-payment reviews or audits.

There are three ways to apply:

- CRA My Business Account
- Through your representative (CRA Represent a Client – Level 2 or 3)
- Online application form (available April 27, 2020)

The CEWS will be processed at the payroll program (RP) account level and separate applications will be required for each RP account. Wage subsidy applications must be made before October 2020.

Documentation to support the wage subsidy claimed should be maintained and made available to the CRA upon request. CRA has indicated that this documentation should include an analysis of the nature of the remuneration. It should be evidenced that dividends and other ineligible remuneration has been removed from the calculation.

A signed attestation, and record of any elections made for the purposes of determining the qualifying revenue, must be maintained and made available to the CRA upon request.

The CRA has acknowledged that they will provide updates regarding the timely publication of a list or registry of wage subsidy applicants; the process for making this information available is still under consideration.

Calculating Your Subsidy Amount

Prior to applying for the CEWS, eligible entities should determine the subsidy amount to which they are entitled. The CRA has launched an [online calculator](#) to assist businesses with the calculation and simplify the application process. The CEWS amount for a business is based on the number and type of eligible employees, and the amount and type of pay they received before and during the crisis. Determining the subsidy amount should be done before accessing the online application.

Frequently Asked Questions (FAQs)

The CRA updated their FAQs on the CEWS. No new information was introduced; however, further clarity was provided with respect to the program.

To highlight:

- An eligible employer is under no obligation to prove that their decline in revenue is related to COVID-19.
- Eligible employers are able to hire back eligible employees and pay them retroactively in respect of a claim period (i.e. March 15 – April 11).
- An eligible employer will qualify for the CEWS in respect of eligible remuneration that it pays to a status Indian whose income is exempt from tax under the Income Tax Act (ITA).
- The entire remuneration paid to an eligible employee can be offset by the subsidy where the eligible remuneration is equal to or less than 75 percent of the baseline remuneration.
- If an employer is eligible for the CEWS and the 10 percent Temporary Wage Subsidy for Employers (TWS), the entire amount eligible to be claimed under the TWS must be deducted from the amount calculated under the CEWS. CRA provides an example where an employer is eligible for a TWS of \$2,050 in a pay period. The employer is only able to deduct \$1,050 of federal tax from its employees for that period thus leaving a TWS balance of \$1,000 to be deducted in future periods. The entire \$2,050 TWS must be deducted from the CEWS claim even though it has not been fully claimed.



TAX ALERT

- The wage subsidy will not be automatically applied against outstanding debt with the CRA, nor will it be withheld due to outstanding tax returns under the ITA or the Excise Tax Act.

To review all the FAQs, please see click [here](#).

The Canada Emergency Commercial Rent Assistance (CECRA) for Small Businesses

Today the Prime Minister announced more details on the Canada Emergency Commercial Rent Assistance (CECRA) program for small businesses. The CECRA aims to lower rent by 75 percent for small businesses that have been affected by COVID-19.

The Canada Mortgage and Housing Corporation will administer and deliver the CECRA, a program partnering the Federal Government and Provincial and Territorial Governments, which are responsible for property owner-tenant relationships. Further details about the program include:

- The program will provide forgivable loans to qualifying commercial property owners to cover 50 percent of three monthly rent payments that are payable by eligible small business tenants who are experiencing financial hardship during April, May, and June.
- The loans will be forgiven if the mortgaged property owner agrees to reduce the eligible small business tenants' rent by at least 75 percent for the three corresponding months under a rent forgiveness agreement, which will include a term not to evict the tenant while the agreement is in place. The tenant will be responsible for covering 25 percent, the property owner 25 percent, while the Federal Government and Provinces will share the remaining 50 percent.
- Impacted small business tenants are businesses paying less than \$50,000 per month in rent and who have temporarily ceased operations or have experienced at least a 70 percent drop in pre-COVID-19 revenues. This support will also be available to non-profit and charitable organizations.

It is expected that the CECRA will be operational by mid-May, with commercial property owners reducing the rents of their small business tenants for the months of April and May (retroactively) and June.

Canada Emergency Student Benefit (CESB) & Canada Student Service Grant (CSSG)

This week new programs and financial support were announced for students.

For post-secondary students and recent graduates who are ineligible for the Canada Emergency Response Benefit or Employment Insurance, but who are unable to find full-time employment or are unable to work due to COVID-19, the Federal Government has proposed to introduce the CESB. The CESB will provide \$1,250 per month for eligible students from May through August 2020, and \$1,750 for students with dependents and those with permanent disabilities. More details on the CESB are expected to be released in coming days.

For students who choose to do national service and serve their communities, the new CSSG will provide up to \$5,000 for their education in the fall. More details on the CSSG will be made available on the "I Want to Help" platform soon.



Temporary Salary Top-Up for Low-Income Essential Workers

The Government announced a measure to help those who work in hospitals, long-term care facilities and grocery stores; those who earn less than \$2,500 per month on a full-time basis will receive a temporary top-up to their salaries. More details will be released shortly.

Canada Emergency Response Benefit (CERB)

The CRA updated their FAQs on the CERB. No new information was introduced; however, further clarity was provided with respect to the program. To review the FAQs, please click [here](#).

What Does This Mean?

The CRA has committed to providing guidance as questions arise from Canadian businesses. We will continue to provide you with updates as new information becomes available. We encourage you to contact your MNP Advisor to discuss and evaluate the different government programs available to you and your business. The time to submit your CEWS application is fast approaching.

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://www.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.

