

TAXTALK

COVID-19 Tax Measures – April 1, 2020

Canada Emergency Wage Subsidy – (75 percent)

Today, the Canadian federal government announced some additional details with respect to the 75 percent wage subsidy it initially announced on March 27, 2020. The Department of Finance's recent news release provides the following details concerning the newly proposed Canada Emergency Wage Subsidy:

- **The Canada Emergency Wage Subsidy would 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. The program would 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.**
- **For non-profit organizations and registered charities similarly affected by a loss of revenue, the government will continue to work with the sector to ensure the definition of revenue is appropriate to their circumstances. The government is also considering additional support for non-profits and charities, particularly those involved in the front line response to COVID-19. Further details will be announced in the near term.**
- **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 Canada Emergency Wage Subsidy by applying through a Canada Revenue Agency (CRA) online portal in approximately three weeks. More details regarding how to apply for the program will follow.

Those organizations that do not qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced Temporary Wage Subsidy of 10 per cent of remuneration paid from March 18 to before June 20, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

Finance Minister Bill Morneau also made comments today that the Canada Emergency Wage Subsidy will need to be applied for separately on a monthly basis (i.e. March, April and May). CRA will also be responsible for paying out the wage subsidies to the various organizations and cash should start being paid out in about six weeks from now.

During the question period today, Mr. Morneau was asked about employers, such as start-ups, who would not be able to provide comparative financial information for the previous year. He indicated that the finer details of the program were still being resolved, and that perhaps the solution would be to compare revenues to the preceding months.

He was also asked about the criteria that would be applied in considering whether an employer had indeed made “best efforts” to top up salaries to 100 percent. His response was vague, again acknowledging that the government is bringing in measures to protect the economy at an unprecedented pace, as normally reforms of this magnitude would take a year or two to implement.

Further guidance will undoubtedly be revealed as the legislation is finalized and the on-line portal developed. However, it is worth remembering that the Prime Minister has, on more than one occasion, said that they will be implementing measures to ensure that employers do not take advantage of this measure and that severe penalties would be imposed.

HOW TO APPLY FOR THIS BENEFIT

- The CRA online portal should be available in about three weeks. Further details will follow from the Department of Finance or the CRA with specific steps for the application process.

Temporary Wage Subsidy – (10 percent)

Today, the federal government confirmed that the 10 percent wage subsidy may be available to organizations that are not eligible for the 75 percent wage subsidy. Previously, the federal government announced on March 27th updates to the Temporary Wage Subsidy.

At this point, we are assuming that there will be no further changes to this subsidy.

The temporary three-month wage subsidy for eligible employers is equal to 10 percent of the remuneration paid during the three-month future period, to a maximum of \$1,375 per employee (equivalent to \$55,000 of annual salary with \$13,750 gross salary paid over these three months) and \$25,000 per employer.

“**Eligible employers**” are defined to include any person or partnership that employs at least one individual in Canada, has a CRA payroll number on March 18, 2020, and is any one of the following:

- i. most Canadian-controlled private corporations (“CCPC”), based on eligibility for the small business deduction (see below) that has more than \$0 small business limit in its last taxation year, or if there was no prior taxation year then for the notional fiscal year ending on March 18, 2020;
- ii. an individual (other than a trust);
- iii. a partnership, all the members of which are described in (i), (ii), (iii) or (v);
- iv. a non-profit organization; or
- v. a registered charity.

Eligibility for a CCPC requires that the CCPC had a business limit, for purposes of the small business deduction, greater than \$0 for its most recent tax year ended prior to March 18, 2020.

An employer that is part of an associated group that has over \$15 million of “taxable capital” in the previous taxation year, in aggregate, will not qualify for this subsidy since the “eligible employer” definition requires entitlement to at least \$1 of small business limit.

HOW TO APPLY FOR THIS BENEFIT

- For the period beginning on March 18, 2020 and ending on June 20, 2020, the eligible employer will need to manually calculate the subsidy as a reduction to the required payroll income tax remittance. The subsidy only reduces income tax remittances. It cannot reduce remittances of CPP or EI contributions.

Canada’s COVID-19 Economic Response Plan Web Portal

The federal government has set-up the following **COVID-19 Economic Response Plan** web portal that summarizes all previously announced measures and future updates to these measures.

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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