



# TaxNewsFlash Canada

## Employers — Prepare to Apply for 75% Wage Subsidy

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Certain employers will be able to apply to receive the 75% Canada Emergency Wage Subsidy starting on April 27, 2020. This temporary subsidy, which is available to qualifying employers that have lost revenue during COVID-19, generally provides an amount to employers equal to 75% of employees' remuneration paid, up to a maximum of \$847 per week per employee, from March 15, 2020 to June 6, 2020. The CRA has announced that it is preparing to accept applications for this subsidy, and has provided additional guidance to help employers calculate their estimated subsidy and to complete and file their applications as of April 27, 2020. In addition, the CRA notes that employees who have been laid off or furloughed must be rehired and paid before they can be included in the subsidy calculation.

As the wage subsidy claim period will soon open, eligible employers that intend to claim the subsidy should act fast to determine whether they qualify and prepare their applications. By getting their application ready now, employers can help ensure that any payments through the wage subsidy program are provided quickly following the successful processing of their claim.

### **Background**

In response to COVID-19, Canada made a series of announcements that it would enact targeted fiscal and tax relief intended to support individuals and businesses. Among other measures, Canada proposed changes to accelerate Employment Insurance (EI) sickness benefits, make additional credit available to businesses, and introduce a Canadian Emergency Response Benefit to help individuals. In addition, the CRA announced that it would delay various tax filing and remittance deadlines for taxpayers.

The government also announced temporary wage subsidies for businesses. The Canada Emergency Wage Subsidy is a temporary 12-week subsidy that will generally

provide an amount to employers equal to 75% of employees' remuneration paid, up to a maximum of \$847 per week per employee. The government stated that the subsidy is available for eligible employers that have lost revenue during the COVID-19 period, and will apply retroactively from March 15, 2020 to June 6, 2020.

In addition, eligible employers who do not qualify for the Canada Emergency Wage Subsidy may be able to claim the previously enacted 10% temporary wage subsidy to help certain small businesses. This temporary three-month taxable subsidy is available on up to 10% of eligible employee salaries and is restricted to individuals, eligible Canadian-controlled private corporations, certain partnerships, registered charities and not-for-profits. This subsidy will provide 10% of remuneration paid from March 18 to before June 20, 2020, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. The subsidy was included with other COVID-19 emergency measures passed into law on March 25, 2020.

The 75% Canada Emergency Wage Subsidy was passed into law on April 11, 2020. For details, see *TaxNewsFlash-Canada* 2020-39, "[Employers — Canada's 75% Wage Subsidy Now Enacted](#)".

### Online application process

Eligible employers that intend to claim the subsidy will have to apply online through the CRA, through either My Business Account or a separate online application form beginning on April 27, 2020. Employers that do not have a My Business Account should register for an account now so they are ready to submit their application when the claim period opens. Employers that are unable to register for My Business Account must obtain an online web access code and use the online application form that will be available on April 27, 2020. Individuals and businesses who represent a business may also submit an application through the CRA's Represent a Client service.

Because the subsidy will be processed at the payroll program (RP) account level, employers should also ensure their business details and direct deposit information for these accounts in My Business Account is up to date. Employers will have to file a separate application for each RP account they have with the CRA.

### Calculating your estimated subsidy

Employers will also need to calculate their estimated subsidy as part of the application process. The CRA has provided an online calculator to help employers determine the amount of the subsidy they can expect as well as certain amounts that must be entered into the application form once it becomes available.

To use the calculator, employers must provide information related to:

- Total number of employees

- Gross payroll and eligible remuneration amounts
- Refund of employer contributions for any employees on leave with pay
- Employees receiving a Work-Sharing benefit through Employment Insurance
- The amount the employer is eligible for under the 10% temporary wage subsidy program for the relevant claim period.

Employers who are expecting a payment of \$25 million or more are required to enrol in direct deposit on their payroll account and register for the large value transfer system (LVTs), if they have not already done so.

### Record keeping

Employers must keep records that document their decrease in revenues and remuneration paid to employees. The CRA also notes that certain employers may be required to provide a full list of employees and their Social Insurance Numbers (SIN) for verification after applying.

### Additional considerations for rehired employees

The CRA guidance also clarifies certain aspects of the wage subsidy for employees that are rehired. The CRA advises that employees who have been laid off or furloughed can become eligible retroactively for the subsidy, as long as they are rehired and their retroactive pay and status meet the eligibility criteria for the claim period. These employees must be rehired and paid before they can be included in the subsidy calculation. In addition, rehired individuals that received, or continue to receive, the CERB may be required to repay some or all of these amounts, depending on their situation. The CRA says it will provide additional information on this issue soon.

#### **Stay connected on the latest COVID-19 developments**

We continue to watch tax and legal issues related to the evolving COVID-19 situation and will provide further information as it becomes available. For the latest developments, see our dedicated COVID-19 site, [The Business Implications of Coronavirus](#).

### An action plan for your business — We can help

While businesses may qualify for benefits under both 75% Canada Emergency Wage Subsidy, as well as the 10% Temporary Wage Subsidy, it is important to understand the nuances of each program and determine eligibility.

As your trusted advisors, we're here to help. Because every business is unique, our experienced professionals may be able to assist you with establishing that the methodology you use to determine eligibility is consistent with similar organizations in your

sector and across Canada. We can provide various levels of assistance to help you determine that you've assembled the appropriate documentation to support your claims, ranging from accounting advice and assistance, a specific procedures report or an audit report on financial information.

These subsidies may play a critical role in your imminent staffing decisions, so do not hesitate to reach out to us to discuss an action plan for your organization. Together, we can help your organization navigate these unprecedented times.

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