

Crisis Management Webinar

# **Finance Panel:** Canadian Emergency Wage Subsidy

Symlicity Designs 

**SYMPLI**  **SCALING**





# TIPS



PUT YOUR QUESTIONS  
IN THE Q&A



PUT YOUR  
COMMENTARY IN THE  
CHAT



USE THE "RAISE HAND"  
FUNCTION TO SPEAK





# ABOUT

## **Dennis Amirault, CPA, CA**

Prior to joining Symplicity Designs as the Chief Financial Officer, Dennis gathered 8 years of experience with a national accounting firm, 4 years with a publicly-traded company, and 8 years with small to medium-sized entrepreneurial companies.





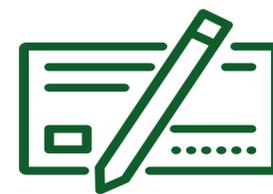
# ABOUT

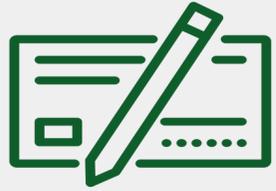
## **John Swain, CPA, CA**

John started Swain CPA with the vision of reducing anxiety and providing personalized support for small business owners. Prior to starting Swain CPA, John worked with Grant Thornton, Bank of Bermuda, and Olympia Capital.



# The Canadian Emergency Wage Subsidy (CEWS)





# OVERVIEW

- 75% wage subsidy to employers who qualify
- 3 eligibility periods
  - Period 1 - March 15 to April 11
  - Period 2 - April 12 to May 9
  - Period 3 - May 10 to June 6
- Apply through CRA *My Business Account* starting today April 27, 2020



# Eligible Entity

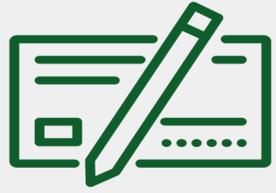
- Individuals (unincorporated businesses)
- Taxable corporations
- Partnerships
- Not-for-profits
- Registered Charities
- Public service bodies are not eligible
- Must have had a payroll account with CRA prior to March 15, 2020



# Eligible Employee

- Individual employed in Canada by an eligible entity
- Has eligible remuneration in the claim period
- Cannot be without remuneration for 14 or more consecutive days in the claim period (i.e. must have worked at least 15 days out of the 28 day claim period)

# Eligible Remuneration



- Salary
- Wages
- Other remuneration
- Exclude:
  - Severance Pay
  - Stock option benefits
  - Personal use of a corporate vehicle

# Qualification Criteria



- Subject to a revenue decline test
  - Period 1 - 15% decline
    - Compare March 2020 to **either** March 2019 **or** average revenue from January and February 2020\*
  - Period 2 - 30% decline
    - Compare April 2020 to **either** April 2019 **or** average revenue from January and February 2020\*
  - Period 3 - 30% decline
    - Compare May 2020 to **either** May 2019 **or** average revenue from January and February 2020\*
- \* Must select benchmark to be used and stay consistent through all claim periods
- Can elect to recognize revenue on either the accrual method or the cash method but must be consistent in all claim periods and all benchmark periods
- If you qualify in a period then you automatically qualify in the following period





# Subsidy Calculation

- Based on weekly remuneration paid and calculated as the **greater** of X or Y where:
  - X is the **least of**:
    - 75% of eligible remuneration paid in the week
    - \$847
    - \$0 if non-arms length employee
  - Y is the **least of**:
    - eligible remuneration paid in the week
    - 75% of baseline remuneration (see next slide)
    - \$847



# Baseline remuneration

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- A weekly average of an employee's earnings from the period of January 1, 2020 to March 15, 2020
- Can exclude weeks in which an employee had no earnings.
- If an employee has no baseline earnings then the maximum subsidy you can get for them is 75% of eligible remuneration you pay to them in the period (subject to weekly max of \$847).
- If an employee is a non-arm's length employee (i.e. a shareholder or direct family member of a shareholder) and they had no baseline earnings then they do not qualify for the wage subsidy.

# An example





# Employee #1

- Arm's length employee
- Annual Salary of \$75,000 (\$1,442/week)
- Employed continuously since January 1, 2020
- Subsidy amount:
  - Greater of X or Y
    - X is lesser of
      - 75% X \$1,442 = \$1,081.50
      - **\$847**
    - Y is lesser of
      - Eligible remuneration - \$1,442
      - 75% of Baseline = \$1,442 X 75% = \$1,081.50
      - **\$847**
  - Maximum weekly subsidy is \$847
- Net cost to employer is \$595 (\$1,442 - \$847) resulting in 41% of employees salary subsidized



## Employee #2

- Arm's length employee
- Annual Salary of \$50,000 (\$962/week)
- Employed continuously since January 1, 2020
- Salary reduced to \$37,500 (\$721/week) on March 15, 2020 (75%)
- Subsidy amount:
  - Greater of X or Y
    - X is lesser of
      - 75% X \$721 = **\$541**
      - \$847
    - Y is lesser of
      - Eligible remuneration - \$721
      - 75% of Baseline = \$962 X 75% = **\$721**
      - \$847
  - Maximum weekly subsidy is \$721
- Net cost to employer is \$0 (\$721 - \$721) resulting in 100% of employees salary subsidized





## Employee #3

- Non-Arm's length employee
- No salary or wages paid prior to March 15, 2020
- Began taking salary of \$50,000 (\$962/week) on March 15, 2020
- Subsidy amount:
  - Greater of X or Y
    - X is lesser of
      - 75% X 962 = \$721
      - \$847
      - **\$0** if non-arm's length
    - Y is lesser of
      - Eligible remuneration - \$962
      - 75% of Baseline = \$0 X 75% = **\$0**
      - \$847
  - Maximum weekly subsidy is \$0
- Net cost to employer is \$962 (\$962 - \$0) resulting in 0% of employees salary subsidized



# Employee #4

- Arm's length employee
- No salary or wages paid prior to March 15, 2020
- Began taking salary of \$50,000 (\$962/week) on March 15, 2020
- Subsidy amount:
  - Greater of X or Y
    - X is lesser of
      - 75% X 962 = **\$721**
      - \$847
    - Y is lesser of
      - Eligible remuneration - \$962
      - 75% of Baseline = \$0 X 75% = **\$0**
      - \$847
  - Maximum weekly subsidy is \$721
- Net cost to employer is \$241 (\$962 - \$721) resulting in 25% of employees salary subsidized



# What does this mean?

- For employees that were earning more than \$58,700 before COVID-19 - maximum monthly subsidy for those employees is \$3,388 assuming you continue to pay them at least \$58,700 annualized.
- For employees that were earning less than \$58,700 before COVID-19 - can hire them back at full salary and have 75% subsidized **or** hire them back at 75% of their salary and have the full amount subsidized.
- For new employees - can only get 75% of their salaries or wages subsidized meaning employer incurs 25% of the cost.
- For non-arms length employees - must have had baseline earnings to qualify.





# How do I apply?

- Starting today April 27, 2020 apply through CRA *My Business Account*.
- Download the wage subsidy calculation spreadsheet from Canada.ca website
  - Use your payroll records to complete this tool so you have the correct information to apply online
    - Do not need to submit this sheet but you should keep it as support for audit purposes.
    - Does not contain a sheet to calculate baseline earnings.
      - Suggest you add a tab to do this calculation.

# FAQ'S

## CEWS

- Can I get the CEWS for an employee that is receiving the CERB?
- Does the employee need to work to receive the subsidy?
- Am I required to pay the 25% top up to the employee to receive the subsidy?
- Does the employee have to be a full-time employee to receive the subsidy
- Can owners receive the wage subsidy?
- Do dividends qualify as qualified remuneration?
- What if I took only 1 pay cheque in the entire Jan-Mar 2020 period?
- Can I hire new employees and have them qualify for the CEWS?
- What are the implications of choosing the cash basis as my revenue policy?
- Do I have to prove that the revenue decline is due to COVID-19?



# FAQ'S

## CEWS

- Do I have to include the CEWS I receive in one month in my revenue calculation for the next month?
- Do I have to pay tax on the amount of CEWS I receive?
- If a company doesn't pay me can I exclude that amount from my revenue calculation?
- How do I apply for the CEWS?
- How long will I have to wait for the CEWS reimbursement?
- What sort of things might be considered abuse of the CEWS?



# Other Programs

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- 10% Temporary Wage Subsidy
- Work-share program
- Canada Emergency Response Benefit (CERB)
- Canadian Emergency Business Account (CEBA)
- Business Credit Availability Program (BCAP)
- Deferral of GST/HST
- Deferral of Income taxes
- Many provincial programs



# New Program

## Canada Emergency Commercial Rent Assistance

- Landlord agrees to lower rent by at least 75%
- Federal and Provincial Governments provide forgivable loans to cover 50% of the rent costs for April, May and June
- Small business tenant covers the remainder of the rent up to 25%
- Qualifying small business tenants
  - Must be paying rent of \$50,000/mth or less
  - Have temporarily ceased operations **or** experienced at least a 70% decline in revenue
  - Also available to non-profits and registered charities



# Questions



# THANK YOU

<http://symplicity.ca/>

[info@symplicity.ca](mailto:info@symplicity.ca)



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CHARTERED PROFESSIONAL ACCOUNTANTS INC.