

TAX UPDATE

Response to COVID-19

March 23, 2020

Further to the federal announcements of March 18, 2020, additional information on the Temporary Wage Subsidy for Employers measure has been released:

Temporary Wage Subsidy for Employers

The Temporary Wage Subsidy for Employers is a three-month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency (CRA).

Eligibility to the Temporary Wage Subsidy for Employers is limited to Canadian-controlled private corporations (CCPCs), non-profit organizations and registered charities provided they:

- Have an existing business number and payroll program account with the CRA on March 18, 2020; and
- Pay salary, wages, bonuses, or other remuneration to an employee.

CCPCs are only eligible for the subsidy if their taxable capital employed in Canada for the preceding taxation year, calculated on an associated group basis, is less than \$15 million.

The subsidy is taxable income to the employer.

Calculation of the Subsidy

The subsidy is a manual calculation, equal to 10 percent of the remuneration paid between March 18, 2020 and June 20, 2020.

Example: If you have 5 employees earning monthly salaries of \$4,100 for a total monthly payroll of \$20,500, the subsidy would be \$2,050 (10% x \$20,500) per month. Over the designated three-month period, the total subsidy received would be \$6,150 (\$1,230 per employee).

Please note there is a maximum subsidy amount of \$1,375 per employee, to a maximum of \$25,000 total per employer.

Example: If you have 5 employees, the maximum subsidy you can receive is \$6,875 (\$1,375 x 5 employees), even though the per employer maximum is \$25,000.

Associated CCPCs will not be required to share the maximum subsidy of \$25,000 per employer.

Example: If you have an associated group consisting of three corporations, whose taxable capital in the preceding taxation year is less than \$15 million, each corporation in the group is eligible to receive up to the maximum subsidy of \$25,000, for a total of \$75,000.

Receiving the Subsidy

To receive the subsidy, employers can reduce their current remittance of federal, provincial, or territorial income tax that would otherwise be remitted to the CRA by the amount of subsidy calculated. Quebec income tax withheld cannot be reduced and must continue to be remitted to Revenu Québec.

Remittance reductions can begin in the first remittance period that includes remuneration paid between March 18, 2020 and June 20, 2020. If income taxes deducted are not sufficient to offset the value of the subsidy in a specific period, future remittances can be reduced; this includes remittances that may fall outside of the application period for the wage subsidy (after June 20, 2020).

Eligible employers who choose not to reduce payroll remittances during the year can calculate the temporary wage subsidy on remuneration paid between March 18, 2020 and June 20, 2020, and request that the subsidy be paid to them at the end of the year or transferred to the next year's remittance.

Employers should continue to deduct income tax, Canada Pension Plan contributions and Employment Insurance premiums from salary, wages, bonus or other remuneration paid to employees. The subsidy is only deducted when income tax amounts are to be remitted to the CRA by employers.

Important: There is no reduction to the remittance of Canada Pension Plan contributions or Employment Insurance premiums.

The CRA is currently updating reporting requirements; more information on how to report this subsidy will be released in the near future.

We will continue to update you as things unfold.

For more information, contact your local MNP Advisor or visit [MNP.ca](https://www.mnp.ca).