



Communication from Hardy, Normand & Associés L.L.P. re: CEWS

Canadian Emergency Wage Subsidy (CEWS)	
This document was prepared using Bill C-14 as reference, which was sanctioned on April 11, 2020 and different announcements.	
It is therefore only a summary and it cannot replace the Act.	
Period of time	<p>March 16, 2020 to June 5, 2020 (12 weeks).</p> <p>The CEWS will be extended until August 29, 2020. Further adjustments to the terms and conditions could be made.</p>
Amount of grant	<p>The grant represents 75% of the compensation paid, up to a maximum of \$847 per week per employee.</p> <p>In summary, this represents an annual salary of \$58,700 ($\\$58,700 \times 75\% / 52$ weeks) for an employee.</p> <p>With the exception of the \$847 limit, there is no total maximum amount for the grant.</p>
Eligible employers	<p>You are an eligible employer if you are an eligible entity and if you meet the following conditions:</p> <ul style="list-style-type: none">• For one of the following months, March, April or May, gross income decreased from the same month of the previous year or from the average for January or February 2020. The same comparison method should be used from month to month.<ul style="list-style-type: none">• For the month of March, gross income decreased by at least 15%.• For the months of April and May, gross income decreased by 30%.• You had a business number and a payroll deduction program account (RP) with the Canada Revenue Agency as of March 15, 2020;• It is not a public body (example: municipality, crown corporation, school, etc.)



	<p>An employer who qualifies for an eligible period automatically qualifies for the next period.</p>
Eligible Entity	<p>You are an eligible entity if you are:</p> <ul style="list-style-type: none">○ An individual○ A not-for-profit organization○ A registered charity○ A corporation (except a company that is tax-exempt)○ A partnership (unless more than 50% of the value of the company is held by partners who are not specified entities)○ Other special entities
Calculating gross income	<p>For the purposes of calculating income, it must come from a business operating in Canada. It must not take into account the income that comes from a person within arm's length, extraordinary positions or of a capital nature.</p> <p>Income can be calculated using accrual or cash accounting methods. However, there should be no change in accounting method for the purposes of calculating income for each of the eligible periods. The method chosen must be mentioned at the first CEWS request.</p> <p>Registered charities and not-for-profit organizations may choose whether or not to include revenues from government sources in the calculation. Once selected, the same approach should apply throughout the program period.</p> <p>A group of affiliated individuals may make a choice to consider their gross income on a consolidated basis to determine their eligibility.</p> <p>Also, another specific measure for employers who conduct transactions with persons with whom they are within arm's length has been added to the draft Act so that they can, if necessary, benefit, from the CEWS.</p> <p>In the context of corporate mergers or liquidations, it was announced on May 15, 2020, that the combined revenues of the companies (merged or liquidated) could be considered for comparison purposes. More details to come.</p>



Remuneration	<p>Eligible compensation includes salaries, wages and other earnings.</p> <p>However, it does not include severance pay and the taxable benefit for stock options.</p> <p>For employees who are at arm's length from the employer, the amount of compensation for the purposes of calculating the subsidy is limited to the weekly earnings the employee received prior to the crisis.</p> <p>Anti-abuse rules apply in order to:</p> <ul style="list-style-type: none">• Prevent an employer from temporarily increasing an employee's pay• Ensure that the employee is obliged to reimburse the employer.• Anti-abuse rules apply in order to: Prevent employers not dealing at arm's length from dividing an employee's remuneration so as to multiply the subsidy
Eligible employees	<p>It must be an individual who works in Canada.</p> <p>The employee must not have been without pay for more than 14 consecutive days during the eligibility period, from March 15 to April 11, April 12 to May 9 and May 10 to June 6.</p> <p>Example: For the eligibility period from April 12 to May 9, 2020, an employee who does not receive compensation for the period From April 26 to May 9, 2020 will not be eligible.</p> <p>The salaries of new employees are eligible if the employee is not without pay for at least fourteen consecutive days in the eligibility period.</p>
Eligible periods (application)	<p>Application period: March 15, 2020 to April 11, 2020 Reference period: March 2020 compared to March 2019 or the average of January and February 2020.</p> <p>Application period: April 12, 2020 to May 09, 2020</p>



	<p>Reference period: April 2020 compared to April 2019 or the average of January and February 2020</p> <p>Application period: May 10, 2020 to June 6, 2020</p> <p>Reference period: May 2020 compared to May 2019 or the average of January and February 2020</p>
Grant calculation	<p>For the application period:</p> <p>The largest of the following amounts:</p> <ul style="list-style-type: none">• 75% of the amount of compensation paid, up to a maximum weekly benefit of \$847• the amount of compensation paid, up to a maximum weekly benefit of \$847, or 75% of the weekly earnings the employee received prior to the crisis, whichever was lower. <p>It was announced on May 15, 2020 that the pre-crisis compensation equivalent to the average earnings the employee earned could be calculated either on the basis of compensation paid from January 1st to March 15, 2020 or from March 1st to May 31, 2019, always excluding any 7-day period for which the employee received no compensation.</p> <p>Example</p> <p>Example 1:</p> <p>Pre-crisis weekly salary: \$800 Weekly salary paid during the crisis: \$800 The grant will be: \$600</p> <p>Example 2:</p> <p>Pre-crisis weekly salary: \$800 Weekly salary paid during the crisis: \$650 The grant will be: \$600</p> <p>Example 3:</p> <p>Pre-crisis weekly salary: \$800 Weekly salary paid during the crisis: \$550 The grant will be: \$550</p>



Application for the grant	<p>The grant will have to be requested monthly</p> <p>Applications can be made through the My Business File portal as of April 27, 2020 and will be processed as of May 5, 2020. The application must be made by September 30, 2020.</p> <p>IMPORTANT: The individual who is primarily responsible for the employer's financial activities must certify that the application is complete and accurate.</p> <p>Useful link - Guide to applying for the grant https://www.canada.ca/fr/agence-revenu/services/subvention/subvention-salariale-urgence/ssuc-guide-demande.html</p>
Interaction with Temporary Wage Subsidy for Employers - 10%	<p>Employers eligible for the Canada Emergency Wage Grant may also be eligible for the 10% Temporary Wage Grant for a period of time.</p> <p>In the event that an employer receives the 10% wage subsidy over a period of time, this amount will reduce the amount that can be claimed under the Canada Emergency Wage Grant during that same period.</p>
Important to know	<p>Important things to consider:</p> <ul style="list-style-type: none">• The subsidy is taxable income.• The grant reduces the amount of compensation eligible for federal and provincial tax credits.• Employers who are not entitled to emergency assistance may be entitled to the Temporary Wage Subsidy for employers.• You will need to keep the information in support of your application, including:<ul style="list-style-type: none">○ Reducing your income;○ Compensation paid to employees.



Compliance monitoring	<p>Employers will be required to reimburse the amounts paid under the Canada Emergency Wage Subsidy if they do not meet the eligibility requirements.</p> <p>Penalties and other punitive measures may apply in cases of fraudulent applications, including imprisonment.</p> <p>Employers who make false transactions to reduce their income and thus be able to apply to the CEWS will be subject to a penalty equal to 25% of the value of the requested subsidy, in addition to the obligation to fully repay the unfairly requested subsidy.</p>
Useful links	<p>https://www.canada.ca/en/department-finance/news/2020/04/additional-details-on-the-canada-emergency-wage-subsidy.html</p> <p>And</p> <p>https://www.canada.ca/en/department-finance/news/2020/04/the-canada-emergency-wage-subsidy.html</p>