

Canada's Emergency Wage Subsidy Provides Relief to Canadian Corporations

On April 1, 2020, the Department of Finance ("Finance") announced the new Canada Emergency Wage Subsidy (the "Subsidy") delivering a 12-week wage subsidy of up to 75% of wages paid starting March 15, 2020. The Subsidy is available to eligible employers experiencing revenue declines of 30% or more.

Who is eligible to receive the Subsidy?

An employer that is an individual, taxable corporation, partnership consisting of eligible employers as well as a non-profit organization and registered charity may qualify if the employer experiences a year-over-year revenue decline of at least 30% for the months of March, April and May 2020. All taxable corporations may qualify for the Subsidy, including public corporations and Canadian corporations controlled by one or more non-resident persons.

Revenue means revenue from a business carried on in Canada earned from *arm's-length* sources and calculated using the employer's normal accounting method (excluding extraordinary items and capital gains). Finance recognizes new businesses will not be able to compare revenue on a year-over-year basis, or that a business that has expanded in the last year may not show a year-over-year revenue decline in real terms despite a significant drop-off in business, and has suggested that flexible approaches should be available. Detailed information on how to compute and compare revenue will be released in the coming days.

An employer is not eligible to claim the Subsidy for remuneration paid to an employee in a week that falls within a 4-week period for which the employee is eligible for the Canada Emergency Response Benefit ("CERB").

How much is the Subsidy?

The amount of the Subsidy depends on whether the employee was employed before March 15, 2020 or is a new hire. The Subsidy for a pre-existing employee is the lesser of: (A) the amount of remuneration paid, to a maximum of \$847 per week, and (B) 75% of the employee's pre-crisis weekly remuneration. The Subsidy for a new hire is 75% of the amount of remuneration paid, up to a maximum of \$847 per week. Further guidance with respect to the definition of "pre-crisis weekly remuneration" will be provided in the coming days.

There will be no overall limit on the amount of the Subsidy. However, any benefit received from the 10% wage subsidy in a specific period would generally reduce the amount available under the Subsidy in that same period.

The Subsidy would be considered government assistance and be included in the employer's taxable income for its current fiscal period.

How do employers apply for the Subsidy?

Canada Revenue Agency's ("CRA") My Business Account portal as well as a web-based application will be used to provide access. The CRA is currently developing the application and questionnaire. It is expected the portal will launch in 3 to 6 weeks. Employers

will need to establish that they qualify for the Subsidy each month during the relevant period and make an attestation regarding their revenue decline. Where possible, eligible employers are expected to maintain existing employees' pre-crisis employment earnings.

How will the Subsidy be administered?

CRA will administer the program and deliver the Subsidy via cheque or direct deposit.

What are the compliance obligations of employers?

Employers must keep records demonstrating their revenue declines and remuneration paid to employees. Employers will not be expected to submit any paperwork to the CRA at the time of application, but may need to later to verify its attestation in the event of an audit by the CRA. Any Subsidy received by a non-eligible employer will need to be repaid. Penalties, which may include fines or imprisonment, will apply in the case of fraud to obtain or misuse the Subsidy.

A Final Note

Proposed legislation for the Subsidy has not yet been released. Parliament will need to be recalled to pass new legislation implementing the Subsidy. This is expected in the coming days. Details of the Subsidy may change once it goes through the legislative process.

The information above is drawn from a [Finance press release](#) and a technical briefing call we attended with a Senior Finance official.

Aird & Berlis LLP is here to help you understand and benefit from the many programs launched by the federal and provincial/territorial governments in response to this crisis. You are welcome to contact any member of the firm in order to obtain assistance about any government program that might help you or your business and, in particular, any of the following lawyers to learn more about the Canada Emergency Wage Subsidy:

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