



## August 2020

### **Maze of Canada Emergency Wage Subsidy**

Last month Finance Minister, Bill Morneau, announced changes to Canadian Emergency Wage Subsidy (CEWS) that would broaden the reach of the program with enhanced targeted support. These new changes will use multiple sliding scale to determine the amount of CEWS. Some critics have described these new changes are way too complex to understand. The draft legislation is about 26 page of complex wording and references. You or your accountant will need special skill to determine wage subsidy. We have seen three versions of wage subsidy rules within a short span of four months. The changes to CEWS, has received the first reading in the House of Commons as Bill C-20 on July 20, 2020. As that time the bill had not received the Royal Assent, but it is expected that it will become the law. Below are draft legislative proposals:

- Allow the extension of the CEWS until December 19, 2020, including redesigned the program details until November 21, 2020
- Make the subsidy accessible to a broader range of employers by including employers with a revenue decline of less than 30 percent and providing a gradually decreasing base subsidy to all qualifying employers. This would help many struggling employers with less than a 30 percent revenue loss to get support to keep and bring back workers, while also ensuring those who have previously benefited could still qualify, even if their revenues recover and no longer meet the 30 percent revenue decline threshold
- Introduce a top-up subsidy of up to an additional 25 percent for employers that have been most adversely affected by the pandemic. This would be particularly helpful to employers in industries that are recovering more slowly
- Provide certainty to employers that have already made business decisions for July and August by ensuring they would not receive a subsidy rate lower than they would have had under the previous rules
- Address certain technical issues identified by stakeholders.

### **Tax Credit for Scientific Research and Experimental Development (SR&ED)**

Each year this program provided billions of dollars in investment credit to over 18,000 claimants. SR&ED expense are deductible as business expense and may qualify for investment credits resulting in reduction of income tax. Besides

materials, wages can also be qualifying expenditure for tax credits. SR&ED include following activities:

- Experimental development for technological advancement
- Advancement of knowledge for practical purposes by doing research
- Basic research for advancement of knowledge for own purposes
- Support work include – design, engineering, operation research, mathematical analysis, computer programming, data collection, testing and psychological research.



### **Can you split income by borrowing loans at prescribed rate?**

CRA announces every year on quarterly basis new prescribed interest rate which would apply in calculating taxable benefit for shareholders and employees on low interest or interest free borrowing from corporation. The rate also applies for loan among family members to allow for income splitting. There are certain rules/criteria to be followed around interest payment and interest accruals. A loan agreement should be drafted by a lawyer ensuring legal enforceability



©2020 SUNIL AND NITA LLP | 217 SPEERS RD, SUITE 12, OAKVILLE, ON L6K 0J3, CA

[Web Version](#)

[Preferences](#)

[Forward](#)

[Unsubscribe](#)

Powered by  
**GoDaddy Email Marketing**®