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ARTICLE

Substantial changes announced to the CEWS program

Finance Minister Bill Morneau announced significant changes to the "Canada Emergency Wage Subsidy" (CEWS) program on Friday.

Draft legislation – which has yet to be passed by Parliament – indicates that the Government is extensively revising the program for claim periods starting in July 2020 or thereafter. The changes are complex, and aimed at removing the all-or-nothing 30 per cent revenue decline threshold for employers. The new maximum amount per employee has been increased to \$1,129, from \$847. The following guide summarizes the new draft legislation for employers seeking to use the subsidy from July onwards.

Updates announced by draft legislation

The primary change introduced by draft legislation is the substantial revision of revenue thresholds to permit all employers experiencing any revenue loss to qualify for the CEWS. Employers will now be paid amounts proportionate to their revenue losses as subsidy amounts. The government has also introduced a new "top up" for employers that have been hit particularly hard. These changes are discussed in further detail below, but should not overshadow the other substantial CEWS changes announced by the same draft legislation:

- Amalgamated corporations will be deemed to be the same corporation for CEWS purposes.
- New baseline periods have been announced for each qualifying period, where employers so elect. This change appears to be aimed at seasonal workers.
- Eligible employees for qualifying periods from July to December appear to no longer be subject to a requirement that they must not be without pay for 14 days or more during any given qualifying period.
- Eligible entities now include trusts.
- The deadline for applications has been extended to January 31, 2021.
- All entities (regardless of what they ordinarily used) may elect to use the cash method or accrual method.

New revenue decline thresholds

Several new terms have been introduced in the new CEWS legislation:

- "baseline percentage", which depends on the revenue reduction percentage, and is outlined in the table below;
- "revenue reduction percentage" (or RRP), which is the percentage reduction in revenue for the current reference period as compared to the previous reference period;
- "top-up percentage", equal to the lesser of 25 per cent 1.25 multiplied by the total of the:
 - average monthly revenue for the past three calendar months, divided by the average decline for their reference periods,
 - less 50 per cent.

The sum of the baseline percentage and the top-up percentage (the relevant percentage for the employer) is now used to calculate the subsidy amount payable to the employer per employee. The intent appears to be to consider previous months' performance as an indicator of how badly a business is doing.

The draft legislation proposes new wage subsidy claim periods and baseline percentages, as outlined in the following table.

Period	Time Period	Reference Periods (current/prior)	Baseline % if the RRP exceeds 50%	Baseline % if the RRP is less than 50%
4	June 7 to July 4, 2020	June 2020 over <u>either</u> June 2019 or the average of Jan. & Feb. 2020	N/A	N/A
5	July 5, to August 1, 2020	July 2020 over <u>either</u> July 2019 or the average of Jan. & Feb. 2020	60%	1.2 x RRP
6	August 2 to August 29, 2020	Aug. 2020 over <u>either</u> Aug. 2019 or the average of Jan. & Feb. 2020	60%	1.2 x RRP
7	August 30 to September 26, 2020	Sept. 2020 over <u>either</u> Sept. 2019 or the average of Jan. & Feb. 2020	50%	1 x RRP
8	September 27 to October 24, 2020	Oct. 2020 over <u>either</u> Oct. 2019 or the average of Jan. & Feb. 2020	40%	0.8 x RRP
9	October 25 to November 21, 2020	Nov. 2020 over <u>either</u> Nov. 2019 or the average of Jan. & Feb. 2020	20%	0.4 x RRP

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Calculation of the CEWS Subsidy

The wage subsidy amount that can be claimed for each arm's length employee has been revised as follows for Period 7 onwards (i.e., for September – November):

- For each arm's length employee who is not on leave with pay for a given week:
 - The relevant percentage multiplied by the least of:
 - The amount of eligible remuneration paid in respect of that week; and
 - \$1,129.

- For each arm's length employee who is on leave with pay for a given week:
 - The least of:
 - The amount of eligible remuneration paid for the week;
 - An amount set by regulation; and
 - \$0, if the RRP and the top-up percentage are both 0%.

Transitional rules apply for the fifth and sixth claim periods (i.e., for July 5 to August 29).

For assistance determining your eligibility under these new rules, contact your BLG advisors today.

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