

Wage Subsidies for Employers

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Tax News

To help businesses keep and rehire workers through the challenges posed by the COVID-19 pandemic, the federal government introduced the Canada Emergency Wage Subsidy (CEWS) and the Canada Recovery Hiring Program (CRHP).¹

The CEWS, like the Canada Emergency Rent Subsidy (CERS) was available to entities in all sectors. It ended on October 23, 2021, but the CRHP, intended to support hiring by offering a subsidy calculated on the basis of the increase in the eligible payroll, continues to be available until May 7, 2022.

Since October 24, 2021, entities in the tourism and hospitality sector and those facing significant challenges can benefit from a wage subsidy and a rent subsidy under the Tourism and Hospitality Recovery Program (THRP) or the Hardest-Hit Business Recovery Program (HHBRP).² Entities subject to public health restrictions can also benefit from lockdown support, giving them entitlement to the THRP.

The eligibility criteria for lockdown support have been relaxed for periods 24 to 26 (December 19, 2021 to March 12, 2022).³

The CRA has confirmed that the rules to limit access to wage subsidies for publicly listed corporations that paid dividends apply as of the period starting November 21, 2021 (period 23).

Here is a summary of wage subsidy programs, taking the most recently announced changes into consideration. The table in Appendix 1 indicates the applicable deadline for each claim period and Appendix 2 summarizes changes in the measures since their introduction,⁴ and the subsidies available to entities subject to a public health restriction as of period 22.

1. CANADA EMERGENCY WAGE SUBSIDY

Eligible employers can benefit from a CEWS on the remuneration paid to their eligible employees for the period from **March 15, 2020 to October 23, 2021**.

Moreover, until August 28, 2021, that is, until the end of period 19, the CEWS also offers employers a reimbursement of employer-paid contributions with respect to employees on leave with pay, i.e., employees who are paid but that do not perform any work for the employer during a given week.

The CEWS must be claimed no later than 180 days after the end of the qualifying period.⁵ Accordingly, the last day to submit a claim for **period 21 is April 21, 2022**. The same deadline applies for purposes of the [Canada Emergency Rent Subsidy \(CERS\)](#) that offers eligible entities support in relation to the cost of renting or owning a qualifying commercial property.⁶

1.1. Eligible employers

1.1.1. Eligible entities

The following entities, other than an excluded public institution,⁷ are eligible for the CEWS:

- A taxable corporation;⁸
- An individual;
- A taxable trust;

¹ The 10% Temporary Wage Subsidy (TWS) was also offered to SMEs for a three-month period from March 18 to June 19, 2020. See Appendix 7 for details about this measure.

² The CRA [calculator](#) allows businesses to calculate the amounts for which they are eligible under the THRP and HHBRP.

³ For details about these measures, see the [Backgrounder](#) published by Finance Canada on December 22, 2021 and the February 9, 2022 [News release](#).

⁴ A summary of the main changes to the CEWS since its introduction is available on [Canada.ca](#). For additional information, on the CEWS, see the Canada Revenue Agency's (CRA) [CEWS FAQs](#).

⁵ Eligible employers may apply for the CEWS, or amend a previous application, through the CRA's [My Business Account](#) portal or the [web form](#). Authorized employees of a business and their representatives may submit a claim using the [Represent a Client](#) service.

⁶ Businesses that qualify for the THRP and the HHBRP are also eligible for a rent subsidy similar to the CERS. To learn more about the CERS, see [Tax News No. 956](#).

⁷ The following public institutions are not eligible for the CEWS: an organization described in *Income Tax Act* (ITA) 149(1)(a) to (d.6), such as municipalities and local governments, Crown corporations, 90% Crown corporations, corporations at least 90% of which is owned by the Crown, corporations that are wholly-owned by a municipality, health authorities and hospitals as well as public universities, colleges and schools and school boards.

⁸ A non-resident corporation whose Canadian source income is not subject to ITA Part I tax by reason of a tax treaty may be eligible for the CEWS (see question 3-02 of the CRA's [FAQs about the CEWS](#)). This position applies, among others, to non-resident airlines exempt from tax in Canada (CRA, Technical Interpretation 2020-0847791E5, May 8, 2020).

- Partnerships where at least 50% of the interest is owned directly or indirectly by eligible employers;⁹
- A non-profit organization (NPO)¹⁰ or a registered charity;
- Certain Indigenous government-owned corporations that carry on a business;¹¹
- Private colleges and schools, including institutions that offer specialized services, such as arts schools, driving schools, language schools or flight schools.

1.1.2. Employer number

To be eligible, an employer must have had employees on March 15, 2020 and, as the case may be:

- Have a business number and a Payroll Account (RP) number with the CRA on that date;
- Use the services of a payroll service provider to manage and pay its employees' pay.

CLARIFICATION REGARDING A BUSINESS ACQUISITION

Eligible employers that acquired all or substantially all of the assets of a seller during a claim period or before may be eligible for the CEWS if the seller met one of these conditions and that an election is made in this respect. Thus, the employer (acquirer) can be eligible for the CEWS even if it is a new entity created after March 15, 2020, including a newly incorporated sole proprietorship business.¹²

PAYROLL MANAGEMENT SERVICE

Employers who used the services of a payroll service provider must register for their own payroll program account in order to claim the CEWS. The payroll provider must confirm to the CRA that remittances were previously made from its account on behalf of the eligible employer.¹³ The CRA could transfer these remittances to the eligible employer's new account and require the employer to use its new business number and payroll program account for all future payroll remittances. However, in certain situations, for example, where a group of employers have entered into a cost-sharing arrangement creating an agency relationship or a mandate, the CRA could allow the group to continue using their existing single payroll program account for all future payroll remittances. The CRA will notify the eligible employer when it can file its CEWS application once the information has been processed.

An eligible entity that meets the employer number conditions is eligible for the CEWS regardless of its size or activity sector, provided it meets the decline in revenue test for a given period.

1.2. Claim period and reference month

The CEWS is granted every month according to the claim periods presented in the table below based on the decline in revenue calculated for the attributable reference month.¹⁴

Claim period	Reference month
March 15 to April 11, 2020 (P1)	March 2020
April 12 to May 9, 2020 (P2)	April 2020
May 10 to June 6, 2020 (P3)	May 2020
June 7 to July 4, 2020 (P4)	June 2020
July 5 to August 1, 2020 (P5)	July 2020
August 2 to August 29, 2020 (P6)	August 2020
August 30 to September 26, 2020 (P7)	September 2020
September 27 to October 24, 2020 (P8)	October 2020
October 25 to November 21, 2020 (P9)	November 2020
November 22 to December 19, 2020 (P10)	December 2020
December 20, 2020 to January 16, 2021 (P11)	December 2020
January 17 to February 13, 2021 (P12)	January 2021
February 14 to March 13, 2021 (P13)	February 2021
March 14 to April 10, 2021 (P14)	March 2021
April 11 to May 8, 2021 (P15)	April 2021
May 9 to June 5, 2021 (P16)	May 2021
June 6 to July 3, 2021 (P17)	June 2021
July 4 to July 31, 2021 (P18)	July 2021
August 1 to August 28, 2021 (P19)	August 2021
August 29 to September 25, 2021 (P20)	September 2021
September 26 to October 23, 2021	October 2021

1.3. Decline in revenue percentage

The decline in revenue percentage must be calculated for each claim period to determine an employer's eligibility for the CEWS and the rate to which it is entitled. The decline in revenue is also used to determine eligibility for the CERS, CRHP, THRP and HHBRP.

1.3.1. Prior reference period

The employer must demonstrate that it meets the decline in revenue test for a given period by comparing revenue for the reference month with that of one of the prior reference period, this is generally, revenue for the same calendar month in 2019 or 2020, as shown in the following table:

Reference month	Prior reference period
March 2020 to February 2021 (P1 to P13) ¹⁵	Same month in the previous year
Mars to December 2021 (P14 to P23)	Same month in 2019
January and February 2022 (P24 and P25)	Same month in 2020
March to May 2022 (P26 to P28)	Same month in 2019

⁹ The percentage is determined on the basis of the fair market value (FMV) of the interest held by eligible members at any time during the qualifying period over the FMV of all interests in the partnership.

¹⁰ That is, a tax exempt entity under ITA 149(1)(e), (g), (h), (j), (k) and (l), including an agricultural organization, a board of trade and chamber of commerce, certain non-profit corporations for scientific research and experimental development, labour organizations, registered Canadian amateur athletic associations, registered journalism organizations and partnerships or associations operated exclusively for social welfare, civic improvement, pleasure or recreation or any other purpose except profit.

¹¹ Essentially tax exempt corporations under ITA 149(1)d.5) and d.6) where at least 90% of the shares are owned by one or more indigenous government corporations and their wholly-owned subsidiaries. Partnerships where the partners are Indigenous governments or eligible employers are also eligible.

¹² Employers (acquirers) eligible under this assumption must notify the CRA of this election (by email or telephone) to have their employer number activated for the purposes of the CEWS application. Once the request has been processed, the CRA will confirm with the employer when the CEWS application can be filed online.

¹³ The third party must provide a list of eligible employers on whose behalf the third party made remittances, including the new payroll program account number and the amount of remittance attributable to each employer since January 1, 2020. This information can be provided to the CRA by email at the following address: CEWSINFOG@cra-arc.gc.ca.

¹⁴ An employer whose activities started after February 2020 is not eligible for the CEWS (unless the rules with respect to a business acquisition regarding a seller apply). However, it may have been eligible for the 10% TWS if it met the eligibility conditions (see Appendix 7).

¹⁵ The decline in revenue for December 2020 is used to determine the CEWS for periods 10 and 11.

If the employer made the election in period 5, it must instead use average revenue for the months of January and February 2020¹⁶ as the prior reference period for all qualifying periods.¹⁷

Appendices 3 (CEWS) and 4 (THRP and HHBRP) present a summary of the periods used to determine the decline in revenue.

1.3.2. Employer not carrying on a business on March 1, 2019

An eligible employer that was not carrying on a business, or otherwise not carrying on its ordinary activities, on March 1, 2019 can elect to use to alternative approach (January and February 2020) to calculate its decline in revenue for periods 14 to 17 (March 14 to July 3, 2021), as it was required to do for periods 1 to 4.¹⁸ This measure makes these entities eligible for continued support if they elected to use the general approach (month by month) as of period 5.

1.3.3. Mergers and wind-ups

Corporations formed as a result of an amalgamation (or when a corporation is wound-up into another) can use their combined income for purposes of the decline in revenue test.

Example – Amalgamated corporation

Corporation A and Corporation B were amalgamated on March 1, 2020 to create Corporation AB. To determine its eligibility for the CEWS, Corporation AB can compare its March 2020 revenue to either the combined revenue of Corporation A and Corporation B for March 2019 or to the average combined revenue of these corporations for January and February 2020.

1.3.4. Business acquisition

Rules provide for determining an eligible employer's decline in revenue taking into account the revenue of a newly acquired business during a claim period or previously.

The following conditions must be satisfied in this regard:¹⁹

- The assets acquired were used by the seller in the course of a business carried on by it in Canada;

- The acquired assets represented all or substantially all (90% or more) of the FMV of the seller's property used in the course of carrying on a business immediately before the acquisition;²⁰
- For each claim period, the eligible employer makes an election or, if the seller is still in existence for that period, the employer and the seller jointly elect to apply these rules.

To summarize, under this election, the eligible employer (acquirer) can consider revenue attributable to that business in its revenue for the claim period and the prior reference period;²¹ that revenue is then deducted from the seller's revenue.²²

1.4. CEWS rate²³

All eligible employers who experienced a decline in revenue for a given period are entitled to a base CEWS. However, for periods 18 to 21, i.e. since July 4, 2021, the CEWS is only granted to employers whose decline in revenue is **more than 10%**.²⁴ Employers who experienced a decline in revenue of 50% or more for the given period are also entitled to a top-up CEWS.²⁵

The CEWS rate for a given period is the sum of these two rates. In order to ensure some predictability in the subsidy rate calculation, a deeming rule provides that the decline in revenue for a given period is at least equal to that in the previous period.²⁶

Appendix 3 presents a detailed summary of the reference periods and applicable rates for calculating the CEWS.

1.4.1. Rates for the base CEWS

The following table illustrates the base CEWS rate based on the percentage of decline in revenue for the claim period.

Claim period	Rate of base CEWS according to decline in revenue (DR) %	
	50% and +	Less than 50%
July 5 to August 29, 2020 (P5 and P6)	60%	1.2 × DR %
August 30 to September 26, 2020 (P7)	50%	1.0 × DR %
September 27, 2020 to July 3, 2021 (P8 to P17)	40%	0.8 × DR %

¹⁶ Average revenue must take into account the number of days where the business was being carried out in January and February 2020. According to our understanding, this rule aims to weigh the average revenue of an entity that has not carried on business for part of a month. For example, for a corporation with a \$100,000 revenue in January and a \$140,000 revenue in February, the average would be \$120,000. If the corporation started operating its business on January 15, the average would be \$160,000 [i.e., \$240,000 * (60 days / 45 days)].

¹⁷ The method used for period 1 was to be retained for periods 1 to 4 inclusively. As of period 5, employers could either use the same approach or elect the other one; the approach chosen must be used until the end of the program (subject to the election available to employers that were not carrying on a business on March 1, 2019).

¹⁸ An employer that qualifies for the THRP or the HHBRP can make this election for periods 26 to 28 (February 13 to May 7, 2022).

¹⁹ For more details about these rules, consult the CRA's [FAQs about the CEWS](#) (Question 8-3).

²⁰ The FMV of the acquired assets must constitute all or substantially all (90% or more) of the FMV of the property of the seller used in the course of carrying on business (including all of the divisions it operates). However, if the seller and the buyer deal at arm's length, it could be all or substantially all of the FMV of the property required to enable the buyer to carry on a business of the seller, such that it could be the acquisition of a division, to the extent that the buyer is able to operate it as a business.

²¹ To calculate the decline in revenue for the reference period that includes the date the assets were acquired, the buyer must include in its income the seller's income from

the assets in question for the entire current reference period and the entire prior reference period. These amounts will be excluded from the seller's revenue for CEWS purposes. No pro-rata calculation is needed in these two cases to reflect the number of days during which the buyer and seller respectively used the assets in the acquisition period (CRA, Technical Interpretation 2020-0870981E5, January 28, 2021).

²² Specific rules apply for this purpose and there is an applicable presumption regarding the employer number criterion, if the acquirer did not have an active account as at March 15, 2020.

²³ The rules described in this section apply as of period 5 (including for purposes of the CEWS offered in connection with the THRP and the HHBRP, based on the rates described in sections 2 and 3). Different rules applied to periods 1 to 4 (see Appendix 5 for more details).

²⁴ For periods 18 and 19, an employer may however qualify for the CEWS for employees on leave with pay if the decline in revenue is greater than 0%.

²⁵ For periods 5 to 7, the top-up CEWS is determined on the basis of the decline in revenue for the quarter preceding the reference month. As of period 8, it is determined using the decline in revenue for the reference month (subject to the transitional rule applicable for periods 8 to 10). Although the same criterion applies for purposes of the decline in revenue, the applicable rate for each component (base and top-up CEWS) is subject to its own formula, as described further in this document.

²⁶ The deeming rule applicable for the base CEWS also applies to determine the top-up CEWS since period 8. See Appendix 3 for the rules applicable to previous periods.

Claim period	Rate of base CEWS according to decline in revenue (DR) %	
	50% and +	Less than 50%
July 4 to July 31, 2021 (P18)	35%	$0.875 \times (\text{DR} \% - 10\%)$
August 1 to September 25, 2021 (P19 and P20)	25%	$0.625 \times (\text{DR} \% - 10\%)$
September 26 to October 23, 2021 (P21)	10%	$0.250 \times (\text{DR} \% - 10\%)$

1.4.2. Top-up CEWS rate

Employers that experienced a decline in revenue of at least 50% are eligible for the top-up CEWS and they are entitled to the maximum rate when the decline in revenue is at least 70%.

The following table details the top-up CEWS rate, based on the decline in revenue calculated for the period.

Claim period	Top-up CEWS rate according to decline in revenue (DR) %	
	70% and +	50% to 69.99%
July 5 to December 19, 2020 (P5 to P10)	25%	$1.25 \times (\text{DR} - 50\%)$
December 20, 2020 to July 3, 2021 (P11 to P17)	35%	$1.75 \times (\text{DR} - 50\%)$
July 4 to July 31, 2021 (P18)	25%	$1.25 \times (\text{DR} - 50\%)$
August 1 to September 25, 2021 (P19 and P20)	15%	$0.75 \times (\text{DR} - 50\%)$
September 26 to October 23, 2021 (P21)	10%	$0.50 \times (\text{DR} - 50\%)$

1.4.3. Decline in revenue deeming rule

In determining its CEWS rate for a given period, an employer can use the greater of the decline in revenue percentage for the reference month applicable to this period or for the previous month (the “deeming rule”).²⁷

Example – Deeming rule for decline in revenue rate

The employer's revenue declined by 25% in June 2020 and 20% in July 2020. It can calculate its base CEWS for period 5 (July 5, to August 1, 2020) using the 25% decline in revenue rate, that is the higher of the current month's and previous month's. The employer's base CEWS rate for period 5 is therefore 30% [i.e., $1.2 \times 25\%$].

Similarly, if the employer's revenue declined by 20% in June 2021 and 10% in July 2021, the employer will be entitled to a CEWS of 8.75% for period 18, that is $0.875 \times (20\% - 10\%)$.

The CRA [calculator](#) automatically applies the best CEWS rate for the employer, based on information provided by the applicant. To ensure the proper application of the deeming rules, the calculator must be completed by considering that the revenue decline for the previous period is always calculated according to the rules (i.e., elections and approaches) that applied for that particular period. Therefore, the revenue decline percentage established for a given period should not change as a result of new elections made in the subsequent period.

Example – Previous period revenue decline

For periods 1 to 4, the employer elected to determine the revenue decline based on the average income for January and February 2020. The revenue decline calculated for June 2020 (i.e., the reference month for P4) was 20%. For period 5 and the following periods, the employer elects to use the general year-over-year approach.

The CEWS rate for period 5 is determined based on the revenue reduction calculated for July 2020 (current period) or for June 2020, if it is higher. To this end, the 20% rate must be used for June 2020, even if the employer uses the corresponding month method for period 5 and, under this method, the decline in revenue for June 2020 would have been higher.

For periods 5 and 6, employers who had a decline in revenue of at least 30%²⁸ are entitled to a CEWS at least equivalent to the amount they would have been entitled to under the calculation and rules applicable for periods 1 to 4.²⁹

1.4.4. Rounding percentages

When an employer calculates its CEWS, the CRA permits rounding percentages to the nearest hundredth (second decimal place).³⁰ However, rounding the revenue reduction percentage is **not permitted** for purposes of meeting the eligibility thresholds.

Example – Rounding percentage

An employer has qualifying revenues in June 2019 of \$100,000 and in June 2020 of \$70,005, which is a revenue reduction of 29.995% for claim period 4. Its revenue reduction for claim period 3 was 25.75%. This employer is not eligible for the wage subsidy for claim period 4 as its revenue reduction for the period is less than 30%.

An employer has qualifying revenue in July 2019 of \$50,000 and in July 2020 of \$35,002, which is a revenue reduction of 29.996% for period 5. The employer will not be eligible for the CEWS calculated at the rate of 75% using the method applicable for periods 1 to 4, since its decline in revenue percentage for period 5 is less than 30%. The employer can however use a rounded rate of 36%³¹ to calculate its base CEWS for claim period 5.

1.5. CEWS Amount

An employer can benefit from a subsidy that is determined by applying the CEWS rate (base and top-up) for a given period to the amount of eligible remuneration for that period. Eligible remuneration is determined on the basis of the employee's status (active or not), the applicable limits (including those that apply to employees that are not at arm's length with the employer) and the period in question.

²⁷ The prior reference period for period 11 is period 9 and not period 10.

²⁸ This percentage is deemed to be the higher of the percentage calculated for the current period and that for the prior period. Accordingly, for period 5, it is the decline in revenue calculated for June or July, whichever is higher. For period 6, it will be the higher of those calculated for July and August.

²⁹ The employer must calculate its CEWS under the old and new program, taking into account the rates and rules applicable for eligible remuneration for each program, for

each employee and each week included in the period. The CRA calculator takes this into account.

³⁰ It is therefore possible to round up percentage for the decline in revenue and for the base CEWS and top-up CEWS, subject to certain exceptions.

³¹ i.e., $29.996\% \times 1.2 = 35.9952\%$, rounded to 36%.

1.5.1. CEWS for active employees

For period 5 and subsequent periods, the base CEWS rate is added to the top-up CEWS.³² This global rate is applied to **the lesser** of the following amounts for each active employee:

- The remuneration paid to the employee;
- \$1,129;
- The employee's baseline remuneration if the employee is not at arm's length with the employer.

The CEWS for active employees at arm's length with the employer is calculated solely on the basis of the remuneration paid, without considering the baseline remuneration.³³

EMPLOYEES NOT DEALING AT ARM'S LENGTH WITH THE EMPLOYER³⁴

The remuneration paid to an employee who is not at arm's length with the employer is only eligible for the CEWS if the employee was employed before March 16, 2020. As a result, a shareholder who pays him/herself a salary but was paid solely by dividends before March 16, 2020 is not eligible. There must be a baseline remuneration.³⁵

SHAREHOLDER REMUNERATION³⁶

The CRA considers that owner-operator remuneration recorded by way of a journal entry and credited to the shareholder's account does not constitute eligible remuneration. Similarly, if the owner-operator receives remuneration from the corporation and immediately returns the amounts to the corporation (as a loan or capital contribution), these amounts will not constitute eligible remuneration for CEWS purposes.

The following table indicates the maximum weekly amount an employer may be entitled to receive for each active employee, if the employer qualified for the CEWS maximum base rate and top-up rate.

Claim period	Maximum weekly CEWS					
	Base CEWS only		Top-up CEWS		Total of both	
	Rate	Amount	Rate	Amount	Rate	Amount
Periods 5 and 6 ³⁷	60%	\$677	25%	\$282	85%	\$959
Period 7	50%	\$565			75%	\$847
Periods 8 to 10	40%	\$452			65%	\$734
Periods 11 to 17	40%	\$452	35%	\$395	75%	\$847
Period 18	35%	\$395	25%	\$282	60%	\$677
Period 19 and 20	25%	\$282	15%	\$170	40%	\$452
Period 21	10%	\$113	10%	\$113	20%	\$226

1.5.2. CEWS for an inactive employee (on leave with pay)

For **periods 5 to 19** inclusively, specific rules apply to calculate the CEWS for an employee on leave with pay, i.e., paid for a period when the employee is not doing any work for the employer, for example, during a temporary lay-off.³⁸ As of August 29, 2021 (P20), no CEWS is available for the remuneration paid to such employees.

For periods 5 to 8 inclusively, an employer that is eligible for the CEWS is eligible for the subsidy for remuneration paid to an inactive employee using the calculation applicable for periods 1 to 4, that is a subsidy equal to the greater of the following amounts:³⁹

- 75% of the weekly remuneration paid by the employer (to a maximum of \$847);
- The lesser of the weekly remuneration paid by the employer or 75% of the employee's baseline remuneration (to a maximum of \$847).

For periods 9 to 19, the weekly CEWS for that employee is the **lower** of the following amounts:⁴⁰

- The amount of the remuneration paid to the employee for the given week;
- The higher of the following amounts:
 - \$500;
 - 55% of the eligible employee's baseline remuneration (up to a maximum of \$573 for periods 9 and 10 and \$595 for periods 11 to 19).

Example – Employee on leave with pay

An employer pays \$600 per week to an employee who is temporarily laid off. The employee normally earns \$1,200 per week. If the employer qualifies for CEWS for the given period, the employer may claim a CEWS of \$573 per week of paid leave for the employee in periods 9 and 10 and \$595 per week of paid leave for periods 11 to 19, regardless of the CEWS rate the employer is entitled to for these periods for its active employees.

³² The CEWS is calculated as follows: [% of base CEWS + % of top-up CEWS] x eligible remuneration (max. \$1,129).

³³ If the employer is eligible for a guaranteed minimum CEWS at the rate of 75% calculated under the old plan for periods 5 or 6, the calculation will take into account the baseline remuneration of an arm's length employee, in accordance with the rules applicable to periods 1 to 4 (see Appendix 5 for details).

³⁴ Individuals connected by blood relationship, marriage or common-law partnership or adoption are considered to be related; this generally includes children, parents, grandparents, brothers and sisters and their respective spouses. These individuals are deemed to be related to the corporations where they hold a majority ownership, either alone or through a related group. Individuals related to such individuals are also related to these corporations. Lastly, unrelated individuals and corporations may be at non-arm's length if they are acting in concert with a common purpose.

³⁵ A salary must have been paid during the periods used to determine the baseline remuneration.

³⁶ CRA, Technical Interpretation 2020-086579117, March 29, 2021.

³⁷ Subject to the transitional rule that could make it possible for the employer to benefit from the 75% CEWS calculated using the method applicable to periods 1 to 4 (see Appendix 5 for details).

³⁸ The employee cannot perform any tasks, however trivial. An employee on vacation, sick leave or sabbatical leave is not considered to be on leave with pay for CEWS purposes. Furthermore, a leave with pay does not include cases where the employment relationship has been terminated, for example compensation in lieu of termination notice.

³⁹ The calculation must take into account the limits applicable to employees that are not at arm's length with the employer, as applicable to periods 1 to 4 (see Appendix 5 for details).

⁴⁰ A non-arm's length employee will be eligible for the CEWS in these circumstances to the extent that the employee's baseline remuneration is greater than zero.

Reimbursement of employer-paid contributions

In addition to the wage subsidy, **until August 28, 2021**, that is, the end of period 19, employers are entitled to a full refund of the following employer contributions paid in respect of an inactive employee (on leave with pay):⁴¹

- Employment Insurance;
- Canada Pension Plan;
- Quebec Pension Plan;
- Quebec Parental Insurance Plan.

Quebec grants a credit on contributions to the Health Services Fund (HSF) for employees on forced leave who are eligible for repayments of the employer's contribution under the CEWS.⁴² This relief, for employers with an establishment in Quebec, applies from March 15, 2020 to August 28, 2021. The employer must apply for the HSF contribution credit using summary 1 - *Summary of Source Deductions and Employer Contributions* (RLZ-1.S and RLZ-1.ST), for 2020 and 2021, without including additional documents.⁴³

For each employee eligible for the CEWS, it is important to keep a record indicating whether or not the employee worked for a given week. It is used to determine the CEWS amount for that employee and the employer's contribution refund.

Employers must continue to collect and remit these contributions on remuneration paid to employees. They will be able to claim a refund of the employer-part of these contributions when they claim the subsidy.

1.5.3. CEWS reduction

The amount that an employer can claim under the CEWS for a given period is reduced by the following amounts:

- Employment insurance benefits received by an employee under the Work-Share program for the weeks included in the claim period;⁴⁴
- The amount claimed as the 10% TWS⁴⁵ during the claim period.

Any amount claimed by an employer under the 10% TWS in a period reduces the CEWS for that period, including the 10% TWS claimed in respect of remuneration for an employee who is not eligible for the CEWS.

An employer that is eligible for the CEWS and the 10% TWS may waive the latter subsidy. In this case, employers do not have to reduce the amount claimed under the CEWS by the amount to which they would have been entitled under the 10% TWS. This waiver can be made for a given period or for the entire duration of the 10% TWS.

This election must be disclosed in form PD27 that the employer must fill out in connection with the 10% TWS.

The CEWS is not reduced by the amount of any other salary-based government assistance otherwise received by the employer, whether it is a wage subsidy, tax credit or other type of assistance. This assistance does not reduce the eligible remuneration used to calculate the CEWS for an employee.

1.6. Employer's qualifying revenue

For purposes of the decline in revenue test, the employer must include gross revenue from normal activities in Canada, that is, generally, revenue from the sale of goods, provision of services or use of its resources by others.⁴⁶

Investment income (interest or dividends) that arises in the course of the employer's ordinary activities will generally be included in its qualifying revenue. Extraordinary items are not considered for purposes of this test⁴⁷ and, according to the CRA, neither are amounts on account of capital.

The CRA confirmed that a mark-to-market valuation adjustment to the carrying value of the investment does not give rise to an inflow of cash, receivables or other consideration, which means it is not eligible revenue for CEWS purposes.⁴⁸ At a conference led by CPA Canada, the CRA was asked how gains, losses and revenue (other than extraordinary items) should be treated and if in the CRA's opinion they should be included in revenue, then how should prior mark-to-market adjustments be treated. The CRA confirmed that the matter is being analyzed and a technical interpretation would be published in this regard shortly.

Emergency government assistance directly related to the COVID-19 crisis,⁴⁹ including assistance from the provinces or municipalities, is generally considered an extraordinary item, unless it is intended to replace regular or recurring government assistance. As such, the CRA clarifies that the non-refundable portion of a Canada Emergency Business Account (CEBA) loan is an extraordinary item that does not have to be included in eligible income. However, a loan received under the Canada Emergency Commercial Rent Assistance (CECRA) program replaces regular rental income earned by the landlord. This forgivable loan is therefore not considered extraordinary and must be included in the landlord's eligible income.

If an employer changes its operations to manufacture essential products during the pandemic, the CRA has confirmed that it will have to consider income from the sale of these products for purposes of the decline in revenue test, even if it derives no profit. The profit margin is not a criterion to use for this test.

Similarly, the CRA considers that payments received for business interruption insurance must be included in the employer's qualifying

⁴¹ This refund is not subject to the weekly maximum per employee and there is no general limit in this respect. It is not available for eligible employees who were on leave with pay for part of the week.

⁴² For more information, consult Revenu Québec's [FAQs for Employers](#).

⁴³ The employer can use the contribution credit to reduce HSF contributions. For more details go to Revenu Québec's [FAQs for Employers](#).

⁴⁴ For administrative purposes, the CRA accepts a reasonable estimate of benefits for the Work-Share program if the employer does not know the exact amount.

⁴⁵ See Appendix 7 for details about this subsidy.

⁴⁶ If qualifying income is determined on the basis of a consolidated financial statement, the CRA considers that income from a sale to a third party by a non-resident member of the group could be included in the calculation of qualifying income if it is

demonstrated that such income arose in the ordinary course of the group's activities in Canada, based on all applicable facts and circumstances.

⁴⁷ An extraordinary item is not typical of the entity's normal activities or risks inherent in its normal operations, it should not occur regularly or frequently within several years and is out of the control of the business's owners or management. The impact of their decisions on cash inflows should therefore be considered.

⁴⁸ CRA, Technical Interpretation 2020-0855831E5, September 21, 2020. For the same reasons, the CRA concluded that unrealized foreign exchange gains or losses would not be considered qualifying revenue and that realized foreign exchange gains or losses could be qualifying revenue if they arise in the course of an entity's ordinary activities (CRA, Technical Interpretation 2021-0913421C6, January 23, 2022).

⁴⁹ Including in particular, amounts received under the CEWS and the 10% TWS.

income, as they are intended to replace the employer's business income; this is not an extraordinary item and the amount received cannot be adjusted to reflect income that would otherwise have been received for the period.⁵⁰

1.6.1. Revenue from non-arm's length parties

The decline in revenue test does not take into account revenue from non-arm's length persons (or partnerships). However, if all or substantially all⁵¹ of the employer's revenue for a claim period is from such persons, the employer can determine its eligibility for the CEWS using a formula that considers calculation of this test within the entities with which it is not at arm's length.⁵² Appendix 5 provides an example of this calculation.

In order to use this method for a claim period, the employer and each of the entities from which it derives non-arm's length revenue must make a joint election.

1.6.2. Charities and NPO

A registered charity's eligible revenue includes revenue from donations, amounts received from its normal activities and revenue from a related business.⁵³

An NPO's eligible revenue includes membership fees received (registration or other) and other amounts received from its normal activities.

Registered Charities and NPOs can choose whether or not to include revenue from government sources⁵⁴ as part of the calculation of their eligible revenue. They must use that same approach throughout the program period.

An eligible employer can make a retroactive election with respect to government funding. It must amend all previously filed applications to reflect this change.

1.6.3. Other specific rules

- Eligible revenue can be calculated using the accrual or cash method (in accordance with generally accepted accounting principles), at the employer's option. The employer cannot use a combination of both and must elect the method it wants to use for the duration of the program when filing its first claim.⁵⁵
- When a group generally prepares consolidated financial statements, each member of the group will determine its qualifying revenue in accordance with those statements.⁵⁶

⁵⁰ CRA, Technical Interpretation 2020-085257117, May 3, 2021.

⁵¹ Generally, the CRA considers that 90% and more to be all or substantially all. Depending on the circumstances and the context, the CRA may consider that this criterion is satisfied even if 90% level is not strictly achieved.

⁵² This determination includes the worldwide revenue of the non-arm's length parties for the reference period and the proportion of the employer's revenue from each of these entities during the reference period. This rule applies solely with respect to persons and partnerships from which the employer directly derives eligible revenue. It cannot be used by a chain of non-arm's length entities.

⁵³ As defined in ITA 149.1(1).

⁵⁴ Including amounts from the federal government, a provincial or territorial government and a municipality (CRA, Technical Interpretation 2020-0855601E5, January 20, 2021).

⁵⁵ The employer can make a retroactive election, in which case it must amend all previously filed claims to reflect the election. It will therefore not be possible to make a retroactive election if the deadline to amend a claim for one of these periods has expired.

⁵⁶ When there are multiple levels of consolidated financial statements, the CRA has stated that it is the broadest level of consolidated financial statements that should be used (CRA, Technical Interpretation 2020-0851361E5, February 14, 2022).

However, these entities can elect to use individual statements for a given period, provided all the consolidated group's members do the same.

- An eligible employer that is wholly owned by the participants of a joint venture may elect to use the joint venture's eligible revenue rather than its own revenue to determine its eligibility for a period, provided certain terms are respected, in particular, if the joint venture's revenue represents all or substantially all (90% or more) of its revenue⁵⁷.
- An affiliated group can elect to determine revenue on a consolidated basis for a period, provided all members of the group make a joint election and use that method. This election must include the entire affiliated group. It is not possible to choose not to be a part of the affiliated group or to form smaller affiliated groups. This rule applies even if one or several members of the affiliated group does not have any income to report in the claim period.

Example – Affiliated group⁵⁸

Mr. A owns all the shares of Corporation A and his spouse, Mrs. A, owns all the shares of Corporation B. Both corporations are eligible employers. Corporation A and Corporation B are members of an affiliated group and could jointly elect that the qualifying revenue of the affiliated group be determined on a consolidated basis in accordance with relevant accounting principles. If the decline in revenue test is satisfied on the basis of their qualifying revenue, both corporations will be eligible for the CEWS on that basis.

IMPORTANT! The concept of an affiliated group is more restrictive than that of related or associated persons.⁵⁹ It is recommended that a tax specialist be consulted to determine if a group of entities is an affiliated group.

1.7. Eligible remuneration

There is no general limit (ceiling) for the total CEWS that an employer can claim, but limits apply to the eligible remuneration per employee. The subsidy is therefore calculated on the basis of eligible remuneration paid to an eligible employee⁶⁰ in respect of a week included in the qualifying period in accordance with the applicable limits in this respect.⁶¹

⁵⁷ Revenue that an eligible employer earns from the joint venture must qualify as eligible revenue, that is, it must be revenue derived from arm's length persons. In this regard, the CRA has indicated that revenue derived from services provided to a joint venture is considered to be derived from the participants of the joint venture, based on their proportionate share (CRA, Technical Interpretation 2020-087073117, February 15, 2022).

⁵⁸ Example taken from the CRA's [FAQs about the CEWS](#).

⁵⁹ Briefly, an individual is affiliated with him/herself and his/her spouse. A corporation is affiliated with the person that controls it and with that person's spouse and any corporation controlled by one of these individuals or a group of affiliated persons. A corporation may also be affiliated with a partnership if it is controlled by the latter.

⁶⁰ The employee must be employed primarily in Canada throughout the claim period (or the portion of the claim period throughout which the individual was employed by the eligible employer).

⁶¹ If an employee works for several employers who are not dealing at arm's length with each other for the same period, the amount of the subsidy calculated in respect of this employee cannot exceed the subsidy which could have been claimed if this employee had been employed by only one of these employers.

Eligible remuneration includes salary, wages, and other remuneration as well as commissions, fees and other amounts paid for services.⁶² However, it does not include severance pay or taxable benefits that **do not involve a payment to the employee**, such as benefits relating to stock options or the personal use of a corporate vehicle.

Tips that are declared under a provincial law, as is the case in the province of Quebec, and tips controlled by an employer are included in eligible remuneration, whereas tips paid directly by the customer are excluded.

Eligible remuneration does not include any amount that may reasonably be expected to be returned, directly or indirectly, in any manner whatever, to the specified entity, to a person or partnership not dealing at arm's length with the specified entity or to another person or partnership in accordance with the instructions of the specified entity. This is essentially an anti-abuse rule. According to the CRA, the billing of an amount, whether grossed up or not, representing salaries and benefits of employees of an entity that performed work for another entity does not result in a return for the purposes of this rule and the remuneration remains eligible for CEWS.⁶³

Example – Charged back remuneration

Employees of Corporation A perform certain tasks on behalf of Corporation B, a corporation with which it does not deal at arm's length. Corporation A invoices Corporation B on a one-time basis for an amount equal to the salaries and benefits of the employees performing these services. Amounts so billed by Corporation A to Corporation B are not considered to have been returned to Corporation A and Corporation A will be entitled to claim the CEWS on eligible remuneration paid to such employees.

Employees of a placement agency are generally employees of the agency and not employees of the clients using its services. Accordingly, a payment to a placement agency is not eligible remuneration.⁶⁴

1.7.1. Remuneration paid for a period

Eligible remuneration for purposes of the CEWS is remuneration paid with respect to a week included in a claim period and not actual remuneration paid during that period.

Eligible remuneration is therefore calculated based on the pay period in question and not on a cash basis.

Example – Eligible remuneration

If an employee is rehired on March 25, 2020 and the employee's pay for that week is paid on Thursday, April 16, 2020, the employer can claim the subsidy for the remuneration during the March 15, to April 11, 2020 period (P1).

Example – Eligible remuneration

A commission earned by an employee in January 2020 and paid to that employee on March 31, 2020 at the employee's request is not eligible for the CEWS, because that remuneration was earned before March 15, 2020 and is therefore paid with respect to a period not included in the qualifying period.

For more clarity, employers who retroactively rehire employees can claim the subsidy for the pay periods in question, regardless of when the amount was paid. They will, however, have had to pay the amounts to their employees when they file their CEWS claim.

If an employer's payroll cycle does not align with the claim periods, the employer must do a manual calculation of the remuneration in respect of the claim period. In this respect, it is not possible to consider an employee's average remuneration.

The eligible remuneration reported in a CEWS application must reflect the actual amount paid with respect to each week included in the claim period.

Remuneration paid in respect of sick days, vacation days or a legal holiday is eligible to the extent it is paid in respect of a week included in a claim period. Therefore, remuneration paid when an employee takes vacation time during a week that is within a qualifying period would be eligible. However, a lump sum payment that is not in connection with a "leave" (e.g., a lump sum to empty a vacation bank) would not.

The CRA has confirmed that a bonus, commission, supplementary unemployment benefit or a salary continuance payment paid to a terminated employee may be considered eligible remuneration if they are paid by the employer with respect to a week included in a claim period.⁶⁵ The CRA states the following:

- A manual calculation may be needed to determine a bonus amount that was attributable for a given week. This would be the case for example, if an annual bonus can reasonably be considered as having been earned throughout the fiscal period to which it relates; once paid, the portion of the bonus relating to the claim period could be included in eligible remuneration for that period.
- To determine whether a commission payment is in respect of a specific week, it is necessary to review the complete set of facts pertaining to a particular situation, including the employment contract. Accordingly, if the employment contract provides that a commission is paid to the employee in the week after the sale it relates to, the commission is considered to be paid in respect of the week it is paid, even if the sale occurred the previous week.
- Supplementary unemployment benefits are eligible for the CEWS if they are paid directly by the employer, but not if they paid by a trustee plan set up for this purpose.
- A payment of wages in lieu of termination notice is not considered to have been paid in respect of a week, and therefore is not eligible remuneration for the CEWS, like a retiring allowance. However, if the employment relationship is maintained while salary continuance payments are paid to the employee for the duration of the notice of termination, the amounts paid during those weeks are eligible for the CEWS, even if the employee was not required to report to work.

⁶² These are amounts for which employers would generally be required to withhold or deduct income tax at source.

⁶³ CRA, Technical Interpretation, 2020-0848881E5, November 3, 2020.

⁶⁴ CRA, Technical Interpretation 2020-0856781E5, October 20, 2020.

⁶⁵ See questions 17-5 to 17-8 of the CRA'S [CEWS FAQs](#).

1.7.2. Baseline remuneration

Baseline remuneration is used to calculate the CEWS for employees on leave with pay⁶⁶ and employees who are not at arm's length with the employer. Baseline remuneration means the average weekly remuneration paid to an employee during one of the following periods:

Claim period	Average weekly remuneration paid ⁶⁷
Periods 1 to 3 (March 15 to June 6, 2020)	January 1 to March 15, 2020 March 1 to May 31, 2019
Period 4 (June 7 to July 4, 2020)	January 1 to March 15, 2020 March 1 to May 31, 2019 March 1 to June 30, 2019
Periods 5 to 13 (July 5, 2020 to March 13, 2021)	January 1 to March 15, 2020 July 1 to December 31, 2019
Periods 14 to 17 (March 14 to July 3, 2021)	January 1 to March 15, 2020 March 1 to June 30, 2019 July 1 to December 31, 2019
Periods 18 to 21 ⁶⁸ (July 4 to October 23, 2021)	January 1 to March 15, 2020 July 1 to December 31, 2019

The baseline remuneration of an employee who was on extended leave during the period of July 1, 2019 to March 15, 2020 can be calculated using the average weekly remuneration paid to the employee during the 90-day period preceding the start of the employee's leave.⁶⁹ This measure applies to employees who were receiving maternity, parental, caregiver or long-term disability benefits under employee insurance or the QPIP.

The employer must make an **election** to use a period other than that of January 1 to March 15, 2020 to determine baseline remuneration. This election is made for each employee individually and for each claim period. The employer is required to keep a list of the employees subject to such an election for each claim period.

A bonus may be considered for the purpose of calculating an eligible employee's baseline remuneration if the amount was paid during the baseline remuneration period. Since the payment relates to more than one week, the amount must be divided by the number of weeks in the period to which it relates in order to reasonably determine the average weekly earnings.

Anti-abuse rules are provided to prevent an employee's remuneration being increased above the baseline remuneration in order to increase the employer's CEWS.

1.8. Filing or amending a claim

Eligible employers can apply online and it is also possible to amend an already filed application.⁷⁰ Employers have to file a subsidy claim for each claim period. Separate claims have to be filed for each of the employer's payroll program (RP) account.

Applications must be filed **no later** than 180 days after the end of the of the qualifying period in question.⁷¹ The table presented in Appendix 1 indicates the deadline applicable to each period.

Applications may only be filed after the end of the qualifying period and the remuneration covered by the claim must have been paid at the time the application is filed.

1.8.1. Filing or amending a claim after the deadline⁷²

An **application to reduce a claim** can be filed at any time after the deadline to file a claim for a given period.

To file an **application for an upward adjustment** after the deadline, the employer must first call the CRA's business enquiries phone number to confirm whether it is eligible. The CRA may accept such an amended claim for review purposes in the following cases, among others:

- The initial claim was filed before the deadline but contained an arithmetic error, transposition error, or unintended omission of additional business activities or employment expenses;
- The initial claim was filed on the basis of inaccurate information provided inadvertently by the CRA that directly affected the ability to file the amended wage subsidy application on time;
- An outage of CRA portals prevented the employer from filing the amended claim prior to the applicable deadline;
- There was undue delay on the part of the CRA in processing an application or providing required guidance impacting the particular application.

Employers must make every attempt to file their claims before the deadline. However, if they believe that they are eligible for a CEWS that they failed to claim within the stated deadlines, they must contact the CRA's Business Enquiries phone line to find out if they can late file a claim. The CRA will accept a late-filed original CEWS application only in the following exceptional circumstances, if it is otherwise evident that the employer attempted to file the claim before the applicable deadline:

- An outage of CRA secure portals prevented the employer from filing the application prior to the applicable deadline;
- The employer's account was temporarily suspended or there was some other account limitation that prevented the filing of the application prior to the applicable deadline;
- There was undue delay on the part of the CRA in receiving and processing the CEWS application before the deadline;
- The employer relied upon inaccurate information provided inadvertently by the CRA that directly affected its ability to file the original wage subsidy application on time.

⁶⁶ If an employer is eligible for the guaranteed minimum CEWS of 75% calculated using the former rules for periods 5 or 6, the calculation will take into account the baseline remuneration of arm's length employees, in accordance with the rules applicable for periods 1 to 4 (see Appendix 5 for more details).

⁶⁷ The average weekly remuneration is calculated by dividing the total eligible remuneration paid to the employee during the baseline remuneration period by the total number of weeks included in this period. Any period of at least seven consecutive days for which the employee was not remunerated is excluded from the calculation. The period of seven consecutive days period is not solely a calendar week, it can straddle two weeks in the period, provided the unpaid days are consecutive. Refer to the [CEWS FAQs](#) published by the CRA for examples.

⁶⁸ Also applicable for P22 to P28 for purposes of the THRP and HHBRP.

⁶⁹ This rule may also apply to eligible employees who are back from an eligible leave that started before July 1, 2019 and ended after March 15, 2020.

⁷⁰ For more information, visit [Canada.ca](#). A partnership is deemed to be a taxpayer for the purposes of the CEWS, so it can apply for the grant itself if it otherwise qualifies.

⁷¹ Applications for periods 1 to 5, that is, from March 15 to August 1, 2020 were to be filed or amended no later than February 1, 2021.

⁷² For details, consult the [CEWS FAQs](#) (Q 26-01 and 26-02).

In all cases, a late-file wage subsidy application request must be made to the Business Enquiries phone line **within 30 calendar days following the applicable filing deadline.**⁷³

1.8.2. Amended or revoked elections

There are several possible elections available for calculating the CEWS. Eligible employers can amend or revoke an election with respect to its CEWS claim within the deadlines for filing the claim. If the election applies to several periods, the deadline to amend or revoke will be the deadline applicable to the first of the periods covered by the election.⁷⁴

1.8.3. Attestation and payment

The individual who has principal responsibility for the financial activities must attest that the application is complete and accurate in all material respects. If the application is filed by a representative, including an employee duly authorized by his or her employer in [Represent a Client](#), the representative must have a signed Form RC661 - *Attestation for owner/managers and/or senior employees of an eligible employer*⁷⁵ from the business owner or the person with responsibility for the financial activities. This form indicates the employer's elections for purposes of calculating the CEWS for the given period.

An automatic payment is generally issued quickly, but some applications may be selected for a pre-claim review before the payment issued.⁷⁶

1.9. Repayment based on the remuneration of executives of a public corporation⁷⁷

Bill C-2 assented to on December 17, 2021, provides that public corporations and their subsidiaries are not entitled to any wage subsidy for a claim period during which they have paid taxable dividends to an individual who owns common shares of the corporation.⁷⁸

NEW CLARIFICATION! In an update of its site on April 11, 2022, the [CRA](#) clarified that this new requirement applies as of period 23. This restriction could therefore limit the wage subsidy claimed under the THRP or the HHBRP.⁷⁹

A publicly listed corporation and a corporation controlled by such a public corporation⁸⁰ is required to repay CEWS amounts if the aggregate compensation paid to specified executives during the current calendar year exceed that paid in 2019.

This requirement to repay is applied at the corporate group level and applies to the CEWS received by every entity in the group.⁸¹

1.9.1. Repayment amount

For the year 2021, the amount required to be repaid is the **lesser** of:

- The total of all CEWS amounts received by the corporation in respect of active employees for claim periods P17 to P23 (June 6 to December 18, 2021);
- The amount by which the aggregate specified executives' compensation for **2021** exceeds its aggregate specified executives' compensation for 2019.

For the year 2022, the amount required to be repaid is the **lesser** of:

- The total of all CEWS amounts received by the corporation in respect of claim periods that begin after December 18, 2021 (i.e., as of period 24);
- Le total of the following amounts:
 - The excess of the executive compensation increase for 2021 vs. 2019 over the total amount of CEWS received by the corporation for active employees for claim periods P17 to P23;⁸²
 - The corporation's overall executive compensation amount for **2022** over that same compensation for 2019.

1.9.2. Executive remuneration

For purposes of this measure, the amount of the compensation is that reported in the *Statement of Executive Compensation for Named Executive Officers* in accordance with the Canadian Securities Administrators' requirements.⁸³ This is generally the Senior Manager, Chief Financial Officer and the three other most highly compensated executives.

The remuneration paid to the named executives for a calendar year (2019, 2021 and 2022) will be calculated on a pro rata basis of the aggregate remuneration paid in each of the corporation's taxation years that straddle the calendar year.

1.10. List of employers that have applied for the CEWS

The CRA publishes a [registry of employers that have received the CEWS](#). The registry is updated daily and shows the legal and operating name of businesses that have received or will soon receive

⁷³ For periods 1 to 7, such a claim could be filed no more than 30 days after April 21, 2021, the date this new measure was announced.

⁷⁴ For example, an employer that elects to use the cash basis method of accounting must apply this election for the entire program. The employer had until February 1, 2021 to make or amend this election (the applicable date for purposes of period 1 of the CEWS).

⁷⁵ Form RC669, for a wage subsidy claim under the THRP or the HHBRP.

⁷⁶ It is recommended that employers sign up for [Direct Deposit](#) to receive payments more quickly. This registration can be done online or through most financial institutions.

⁷⁷ For details on this measure, see questions 28-2 to 28-7 of the CRA's [CEWS FAQs](#).

⁷⁸ **NEW CLARIFICATION!** The CRA has clarified that this includes dividends actually paid and deemed to be paid (CRA, Technical Interpretation 2022-0922921E5, February 22, 2022).

⁷⁹ Public corporations do not qualify for the CRHP.

⁸⁰ **NEW CLARIFICATION!** According to the CRA, a publicly traded company is a company the shares of the capital stock of which are listed or traded on a stock exchange or other

public market, including a non-resident company. For more clarity, partnerships and trusts are not included and controlled companies are companies over which the publicly traded corporation has *de jure* control either directly or indirectly (CRA, Technical Interpretation 2022-0922921E5, February 22, 2022).

⁸¹ Group consisting of the public parent corporation, the corporation in question and corporations controlled by any of these corporations. Form RC224 - *Executive Compensation Repayment Amount Agreement*, must be used to report to the CRA the compensation to be repaid by each member of the group.

⁸² Accordingly, if the increase in executive compensation (2021 over 2019) is greater than the CEWS amounts received by the corporation, this excess will have an impact on the amount to repay for periods 24 and following.

⁸³ That is requirements under National Instrument 51-102 Continuous Disclosure Obligations or (or under any other similar obligation for a publicly listed corporation in another jurisdiction with respect to the five most highly compensated executive officers). For an example of such a situation, see Technical Interpretation 2021-0913401E5. When said remuneration is in foreign currencies, the exchange rate to be used is that in force on the last day of the entity's fiscal year.

the CEWS. For reasons of confidentiality, these lists do not show single-owner businesses, partnerships or trusts.

2. TOURISM AND HOSPITALITY RECOVERY PROGRAM (THRP)

Under the THRP, eligible organizations in the tourism and hospitality industries could benefit from a wage subsidy and a rent subsidy for seven four-week periods between October 24, 2021 and May 7, 2022 (P22 to P28).

In addition to the specific terms described below, the subsidy amount that an organization could benefit from would generally be determined using the CEWS rules.

2.1. Eligible organizations

In addition to the general eligibility conditions applicable for the CEWS, an eligible business must meet the following conditions:

- For the 12-month period from March 2020 to February 2021,⁸⁴ the business has an average monthly revenue decline of at least **40%** and for the months used as the prior reference period to determine this decline in revenue;⁸⁵ more than 50% of its revenues was earned from one or more eligible activities; and
- For the current month, the business has a revenue decline of at least **40%**.

2.1.1. Eligible activities

Eligible activities include, among others:⁸⁶

- Providing short-term lodging (hotel, motel, bed and breakfast, cottage, etc.);
- Preparing and serving meals and beverages (restaurant, bar, caterer, food truck, food concession, etc.);⁸⁷
- Activities of businesses in the tourism sector, such as travel agencies, tour operators, some charter bus services and scenic and sightseeing tours (sightseeing cruises, hot-air balloon rides, etc.);
- Convention centres and convention and trade shows organizers;
- Hosting shows, performances and exhibits and operating amusement or theme parks (museum, zoo, botanical garden, etc.);
- Camp grounds, vacation camps, outfitters, etc.;
- Cinemas, drive-in theatres, casinos and amusement arcades;
- Providing recreational activities such as a fitness centre, ski area, marina, amusement centre (curling, bowling, mini-golf, etc.) but **excluding** golf clubs and courses, country clubs, professional sports clubs, teams or leagues or facilities used primarily by such organizations.

2.1.2. Average 12-month revenue decline

The following rules apply to calculate the average monthly revenue decline over the 12-month period from March 2020 to February 2021⁸⁸:

- For purposes of the average monthly revenue decline over 12 months, the revenue decline percentage for each period is determined using the same comparison methods as those used for the CEWS and CERS claims;
- The revenue decline percentage for a given period is determined without taking the deeming rule described in section 1.4.3 into account; it is therefore the actual revenue decline for the month in question;
- A revenue increase in a given period must be considered a “negative revenue decline” for the calculation, such that the revenue increase will reduce the average 12-month revenue decline;
- If the business was not operating for any length of time during one or more of claim periods 1 to 13, it must exclude the corresponding reference month from the 12-month average revenue decline, unless the cessation of activities was due to a public health restriction, in which case the month is included in the calculation.

2.2. Subsidy rate

The wage subsidy and rent subsidy rate for organizations that qualify for the THRP program is as follows, depending on the applicable claim period:

Claim period	Subsidy rate based on revenue decline % ⁸⁹		
	0%-39%	40%-74%	75% and over
October 24, 2021 to March 12, 2022 (P22 to P26)	0%	Revenue decline ⁹⁰	75%
March 13 to May 7, 2022 (P27 and P28)	0%	Revenue decline ÷ 2	37.5%

2.2.1. Revenue decline percentage

The revenue decline percentage for a given month is determined in the same manner as described in section 1.3 and the deeming rules described in section 1.4.3 apply for this purpose.

3. HARDEST-HIT BUSINESS RECOVERY PROGRAM (HHBRP)

Under the HHBRP, eligible organizations in all industries that experience significant losses could benefit from a wage subsidy and a rent subsidy for seven four-week periods between October 24, 2021 and May 7, 2022 (P22 to P28). The subsidy rate is determined on the basis of the claim period and the revenue decline percentage.

⁸⁴ This calculation includes the first 13 qualifying periods of CEWS, excluding period 10 or period 11, which is equivalent to a full 12-month period, from March 2020 to February 2021.

⁸⁵ That is, the months of March 2019 to February 2020 if the organization calculated its revenue decline on the basis of the same month in the previous year for periods 1 to 13 of the CEWS. If, for these periods, the organization had elected to use the average for January and February 2020 as the prior reference period (see section 1.3.1), it is that revenue that must be taken into account instead for this criterion. For details on this requirement, consult the [CRA's website](#).

⁸⁶ For a complete list of eligible activities, refer to [CRA's website](#).

⁸⁷ Excluding establishments primarily engaged in retailing food or beverage products, such as a supermarket or a convenience store.

⁸⁸ For details, consult the [CRA's website](#).

⁸⁹ For periods 22 to 26, the maximum wage subsidy will be \$847 per week per active employee (maximum of 75% of maximum remuneration of \$1,129 per week). For periods 27 and 28, the maximum subsidy will be \$423 per week per employee.

⁹⁰ For example, a 60% revenue decline would give entitlement to a 60% subsidy rate.

In addition to the specific terms described below, the subsidy amount that an organization could benefit from would generally be determined using the CEWS rules.

3.1. Eligible organizations

In addition to the general CEWS eligibility requirements, an eligible organization **must not qualify for the THRP** and it must meet the following conditions:

- Have experienced an average monthly revenue decline of at least **50%** over the 12 months period to qualify for the THRP (March 2020 to February 2021);⁹¹
- Have a current-month revenue loss of at least **50%**.⁹²

3.2. Subsidy rate

The wage subsidy and rent subsidy rate for organizations that qualify for the HHBRP is as follows, depending on the applicable claim period:

Claim period	Subsidy rate based on decline in revenue (DR) % ⁹³		
	0%-49%	50%-74%	75% and over
October 24, 2021 to March 12, 2022 (P22 to P26)	0%	$10\% + (DR - 50\%) \times 1.6$ ⁹⁴	50%
March 13 to May 7, 2022 (P27 and P28)	0%	$5\% + (DR - 50\%) \times 0.8$	25%

4. LOCKDOWN SUPPORT

Subject to the relief described below, for periods 24 to 26, an eligible organization subject to a public health lockdown measure may benefit from a wage subsidy and rent subsidy equivalent to the amount that would be available if it were eligible for the THRP, to the extent that:

- The public health restriction applies during at least 7 days during the period;⁹⁵
- The organization is required to **stop some or all of its activities** in one or more locations⁹⁶ and it is reasonable to conclude that **the interrupted activities accounted for at least 25% of its income (including that of its tenants with which it is not at arm's length)** during the prior reference period⁹⁷;
- For the current month, the organization has a revenue decline of at least 40%.

This support is available to all eligible organizations that satisfy these criteria, regardless of sector without the need to demonstrate the 12-month revenue decline for THRP and HHBRP purposes.

Example: For period 22 (from October 24, 2021 to November 20, 2021), a business targeted by a lockdown order is required to stop its activities for 10 days. It experiences a drop in revenue of 50% for the month of November 2022, compared to November 2019. It may be eligible for a wage subsidy and a rent subsidy calculated at a rate of 50%,⁹⁸ to the extent the activities interrupted due to lockdown accounted for at least 25% of its income in November 2019.

If some locations are subject to a qualifying public health restriction and others are not, the business must demonstrate that at least 25% of its eligible revenue (together with the eligible revenue of its non-arm's length tenants) during the prior reference period is from qualifying properties that were closed or subject to restrictions.

Example: Company ABC has two qualifying properties that had to close for 10 days because of public health restrictions during period 22. Its two other qualifying properties stayed open as usual.

When the owner reviews the business's total eligible revenue, it determines that the two qualifying properties that had to close because of public health restriction each accounted for 12.5% of its eligible revenue for November 2019. The two properties' revenue therefore accounts for 25% of ABC's total eligible revenue and the condition is met.

4.1. December 19, 2021 to March 12, 2022 (P24 to P26) relief measures

For the period of December 19, 2021 to March 12, 2022 (P24 to P26), lockdown support is extended to businesses required to **reduce their capacity by at least 50%**, in one or more locations, to the extent it is reasonable to conclude that the **restricted activities account for at least 50% of the entity's revenues (including those of tenants who are not at arm's length)** during the prior reference period.

Additionally, to qualify for the lockdown support for one of these periods, the entity must have a current-period decline in revenue of at least 25% (instead of the normal 40% threshold). Accordingly, for these periods, the wage and rent subsidy rate would be as follows:

Claim period	Subsidy rate based on revenue decline %		
	0%-24%	25%-74%	75% and over
December 19, 2021 to March 12, 2022 (P24 to P26)	0%	Revenue decline ⁹⁹	75.0%

during the period (consecutive or not). For more details on qualifying public health restrictions, visit the [CRA website](#).

⁹⁶ This could be one or more locations occupied by the entity or a tenant which it is not at arm's length.

⁹⁷ I.e., the same calendar month of the 2019 or 2020 calendar year, depending on the month in question, or, the average revenue for January and February 2020, if the entity has made this election. (see section 1.3.1).

⁹⁸ The entity could also receive lockdown support top-up, that is, an additional rent subsidy of 25% for the closure days if the conditions in this regard are satisfied (see [Tax News No. 956](#)).

⁹⁹ For example, a 60% revenue decline would give entitlement to a 60% subsidy rate.

⁹¹ This decline is determined in the same manner as for the THRP. See section 2.1.2 for details in this regard.

⁹² Using the rules that apply for the CEWS (see section 1.3).

⁹³ The revenue decline is determined using the rules applicable for the CEWS, including the deeming rules. For periods 22 to 26, the maximum wage subsidy will be \$565 per week per active employee (maximum of 50% of maximum remuneration of \$1,129 per week). For periods 27 and 28, the maximum subsidy will be \$282 per week per employee.

⁹⁴ For example, $[10\% + (60\% \text{ revenue decline} - 50\%) \times 1.6] = 26\%$ subsidy rate.

⁹⁵ The public health restriction must last at least 7 consecutive days (which is generally the case for the health restrictions announced by the authorities). It is not necessary for the 7 consecutive days to be in the same claim period, however, to be entitled to a subsidy for a given period, the business place must be closed for at least 7 days

For periods where the temporary relief does not apply, the wage and rent subsidy rate is as follows:

Claim period	Subsidy rate based on revenue decline %		
	0%-39%	40%-74%	75% and over
<ul style="list-style-type: none"> October 24, 2021 to December 18, 2021 (P22 and P23) 	0%	Revenue decline	75.0%
<ul style="list-style-type: none"> March 13 to May 7, 2022 (P27 and P28) 	0%	Revenue decline ÷ 2	37.5%

5. CANADA RECOVERY HIRING PROGRAM (CRHP)¹⁰⁰

The CRHP allows eligible employers who have experienced a decline in revenue greater than the applicable threshold for the period to claim a subsidy of up to 50% of the additional remuneration paid to **active employees** for 12 four-week periods between June 6 and May 17, 2022.

An employer that is eligible for both the CEWS (or the THRP/HHBRP) and the CRHP for a same period must only claim the subsidy granting the higher amount for this period; no accumulation is possible. Should the two subsidy amounts be equal, the employer must claim the CEWS, THRP or HHBRP.¹⁰¹

Accordingly, the subsidy to which an employer is entitled may vary from one period to the next, regardless of the subsidy claimed in a previous period.

5.1. Eligible employers

Employers eligible for the CRHP are essentially the same as those that are eligible for the CEWS. However, if the employer is a **for-profit corporation**, it must be a Canadian-controlled private corporation (CCPC) or a cooperative corporation that qualifies for the small business deduction.¹⁰²

Similarly, if the employer is a partnership, it will only be eligible if at least 50% of the interest is held directly or indirectly by employers that are eligible for the CRHP.

Like the CEWS, the employer (or its payroll service provider) must have had a payroll account with the CRA on March 15, 2020. However, unlike the CEWS, an employer is not required to file a separate CRHP claim for each of its payroll accounts.

5.2. Subsidy amount

The CRHP subsidy is equal to the additional remuneration paid by the employer for the period in question multiplied by the CRHP subsidy rate applicable for the period.

The [calculator](#) provided by the CRA allows you to compare the amount of CRHP and CEWS (or wage subsidy granted under the THRP or the HHBRP) available to a taxpayer.

5.2.1. Subsidy rate

The following table presents the CRHP subsidy rate based on the employer's decline in revenue and the claim period.

Claim period ¹⁰³	Required minimum decline in revenue ¹⁰⁴	Subsidy rate
June 6 to July 3, 2021 (P17)	More than 0%	50%
July 4 to July 31, 2021 (P18)	More than 10%	
August 1 to August 28, 2021 (P19)		
August 29 to September 25, 2021 (P20)		40%
September 26 to October 23, 2021 (P21)		30%
October 24 to May 7, 2022 (P22 to P28)		50%

Appendix 4 presents a detailed summary of the reference periods and applicable rates to calculate the CRHP subsidy.

5.2.2. Additional remuneration

The eligible remuneration for CRHP purposes is the same as for CEWS purposes, excluding remuneration paid to employees on leave with pay (inactive), which is not eligible for a subsidy under the CRHP.¹⁰⁵

The additional remuneration for a period is the excess of the total remuneration for the current period over the total remuneration for the base period (that is, the period of March 14 to April 10, 2021).

The total remuneration for a given period (current or base) is the total remuneration paid in respect to eligible **active** employees for the period, **without exceeding the lesser of the following amounts, for each of these employees**, for each week included in the period:

- \$1,129;
- The eligible remuneration paid to the employee for the week;
- If the employee is not at arm's length with the entity, the employee's baseline remuneration, determined according to the same rules as for the CEWS, for the week in question.

The CRHP aims to promote hiring. This subsidy is calculated on the increase in payroll that would otherwise be eligible for the CEWS, up to the ceilings applicable to eligible compensation per employee. Therefore, the salary increase granted to an employee whose remuneration already reached the maximum allowable remuneration of \$1,129 per week in the base period is not included in the calculation for CRHP purposes.

¹⁰⁰ For additional information about the CRHP, you are invited to consult the [CRHP FAQs](#) on the CRA website.

¹⁰¹ The CRHP subsidy amount would then be deemed to be nil.

¹⁰² Any for-profit corporation that is not a CCPC or a cooperative that qualifies for the small business deduction is not eligible for the CRHP. This requirement does not apply to not-for-profit corporations.

¹⁰³ Period 17 of the CEWS is the first period for the CRHP. The period identifiers have been harmonized for ease of reading.

¹⁰⁴ The revenue reduction is calculated in the same way as for the CEWS and the deeming rule, which provides that the drop in revenue for a given period is the higher of the drop in revenue calculated for the current period and the prior period also applies for the CRHP.

¹⁰⁵ That is, who is paid while not performing any work for the employer. As with the CEWS, an employee absent for a leave such as vacation, sick leave or sabbatical is not considered to be on leave with pay for this purpose and that employee's remuneration is not excluded for the purposes of the CRHP.

Total base period remuneration for CRHP purposes is the eligible remuneration paid to active employees for the period of March 14 through April 10, 2021. It is not related in any way to the baseline remuneration used for the calculation of the CEWS.¹⁰⁶

5.3. Filing or amending a claim

The CRHP subsidy can be claimed [online](#) in accordance with the same terms and within the same deadlines as those applicable to the CEWS. The conditions for filing or amending a claim after the deadline applicable to the period are also the same as those for CEWS purposes.

The CRA clarifies that an employer who files a CRHP claim for a given period does not have to file a separate CEWS claim for that same period.¹⁰⁷

6. BOOKS AND RECORDS TO RETAIN

Employers are required to maintain books and records to illustrate the decline in arm's length revenue and remuneration paid to employees.¹⁰⁸ They may also be required to provide a complete list of employees and their social insurance number for audit purposes.

The documentation maintained must also include an analysis of the nature of the remuneration. Dividends and other ineligible remuneration should be recognized and then clearly indicated as having been removed from the calculation. Any assumptions made in any calculation should be included in the documentation and available for review if requested.

The CRA has begun auditing some employers who received the CEWS. The list of requested documents could include, in addition to books and records, extracts from the minute books and other shareholder records of the companies in question. It is recommended that the file be very well documented.¹⁰⁹

Any election made by an eligible employer regarding its wage subsidy claim, in particular, the accounting method used for the decline in revenue criterion, must be retained and made available to the CRA upon request. Similarly, a list of the names of employees used when electing to use baseline remuneration must also be retained for each period.

Lastly, a copy of the attestation signed by the individual who has principal responsibility for the entity's financial activities must be retained and be available if requested.

7. PENALTIES

Employers will be required to refund amounts received under the CEWS, CRHP, THRP and HHBRP if they do not satisfy the qualification requirements.

Additionally, penalties will apply to businesses that try to cheat the system, for example by engaging in artificial transactions for the purpose of benefitting from the subsidy.

An employer should not enter into any arrangement with employees to increase the wage subsidy or benefit amounts, for example, by deferring payment of some forms of remuneration. Such an arrangement could be considered an abuse and subject to penalties.

An employer who has participated in a plan to make false or misleading information about the remuneration of employees or revenues of the entity claiming the CEWS, CRHP, THRP or HHBRP will be liable to a penalty equal to 25% of the amount of the wage subsidy and will have to pay back any wage subsidy it received.

Other penalties, including fines and event imprisonment up to five years, may also apply in the case of fraudulent applications.

A person (such as an accountant or tax preparer) who files or prepares the CEWS, CRHP, THRP or HHBRP application on behalf of an employer could be subject to a third-party penalty under the Act. This would be the case if they know, or would reasonably be expected to know, that the application contains false statements, including an omission of information.

8. TAXABLE GOVERNMENT ASSISTANCE

Wage subsidies that an employer receives under the CEWS, THRP, HHBRP, 10% TWS and CRHP are considered to be government assistance and must be included in taxable income. These subsidies are deemed to be received immediately before the end of the period to which they relate and are therefore taxable in the year that includes the claim period rather than when they are actually received.

If the employer has failed to include the subsidy on its income tax return in accordance with this rule, the employer will subsequently be required to file an amended tax return to comply with this rule. The CRA does not intend to provide administrative relief to allow for the inclusion of these amounts in a subsequent taxation year.¹¹⁰

Example – Taxation on the CEWS

An eligible employer filed a claim for the CEWS for periods 1 to 4 on December 15, 2020 and received the amounts within a few days. On October 31, 2020, the employer filed its tax returns for the tax year ending June 30, 2020. As it had not applied for the CEWS at that time, no amount was included in its income for that year.

The CEWS amounts for periods 1 to 3 are deemed to have been received on April 11, 2020, May 9, 2020 and June 6, 2020, respectively. As these dates are in the fiscal year ended June 30, 2020, the employer will have to file an amended tax return to include these amounts.

Moreover, amounts received under either of the wage subsidies will reduce the compensation expense that qualifies for federal and Québec tax credits calculated on the basis of remuneration.

Do not hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine which measures apply to your situation and assist you with the steps needed to benefit from these measures. Do not hesitate to contact us.

For more information, visit us at rcgt.com.

¹⁰⁶ See the [Baseline Remuneration](#) section of this document for full details.

¹⁰⁷ See question 5 of the CRA's [CRHP FAQs](#).

¹⁰⁸ Books and records includes ledgers, journals, financial statements, contracts, elections, calculations or other working papers, payroll records, sales invoices and

any other relevant document. In situations where a small employer does not maintain detailed monthly records, the CRA will be reasonable.

¹⁰⁹ For more information on the books and records to retain, go to the CRA's [CEWS FAQs](#).

¹¹⁰ CRA, Technical Interpretation 2020-086566117, November 6, 2020.

Appendix 1 – Deadlines to file or amend a subsidy claim

CEWS, CERS claims as well as subsidy claims under THRP, HHBRP, lockdown support and CRHP must be filed **no later than 180 days after the end of the qualifying period** (or February 21, 2021, whichever comes later). The following tables present the deadlines applicable for each qualifying period.¹

Section A – CEWS, CERS and CRHP (claim periods 1 to 21)

Claim period			Qualifying period	Deadline to file a claim
CEWS	CERS	CRHP		
Period 1	N/A	N/A	March 15 to April 11, 2020	February 1, 2021
Period 2			April 12 to May 9, 2020	February 1, 2021
Period 3			May 10 to June 5, 2020	February 1, 2021
Period 4			June 6 to July 4, 2020	February 1, 2021
Period 5			July 5 to August 1, 2020	February 1, 2021
Period 6			August 2 to August 29, 2020	February 25, 2021
Period 7			August 30 to September 26, 2020	March 25, 2021
Period 8	Period 1		September 27 to October 24, 2020	April 22, 2021
Period 9	Period 2		October 25 to November 21, 2020	May 20, 2021
Period 10	Period 3		November 22 to December 19, 2020	June 17, 2021
Period 11	Period 4		December 20, 2020 to January 16, 2021	July 15, 2021
Period 12	Period 5		January 17 to February 13, 2021	August 12, 2021
Period 13	Period 6		February 14 to March 13, 2021	September 9, 2021
Period 14	Period 7		March 14 to April 10, 2021	October 7, 2021
Period 15	Period 8		April 11 to May 8, 2021	November 4, 2021
Period 16	Period 9		May 9 to June 5, 2021	December 2, 2021
Period 17	Period 10	Period 1	June 6 to July 3, 2021	December 30, 2021
Period 18	Period 11	Period 2	July 4 to July 31, 2021	January 27, 2022
Period 19	Period 12	Period 3	August 1 to August 28, 2021	February 24, 2022
Period 20	Period 13	Period 4	August 29 to September 25, 2021	March 24, 2022
Period 21	Period 14	Period 5	September 26 to October 23, 2021	April 21, 2022

¹ An application for a reduction may be filed at any time. In some circumstances, the CRA may accept that an application for an increase or an original claim be filed no more than 30 days after that date.

Appendix 1 – Deadlines to file or amend a subsidy claim (*continued*)*Section B – THRP, HHBRP and CRHP (claim periods 22 to 28)*

Claim period			Qualifying period	Deadline to file a claim
THRP ² and HHBRP		CRHP		
Wage subsidy	Rent subsidy			
Period 22		Period 6	October 24 to November 20, 2021	May 19, 2022
Period 23		Period 7	November 21 to December 18, 2021	June 16, 2022
Period 24		Period 8	December 19, 2021 to January 15, 2022	July 14, 2022
Period 25		Period 9	January 16 to February 12, 2022	August 11, 2022
Period 26		Period 10	February 13 to March 12, 2022	September 8, 2022
Period 27		Period 11	March 13 to April 9, 2022	October 6, 2022
Period 28		Period 12	April 10 to May 7, 2022	November 3, 2022

² Including lockdown support.

Appendix 2 – Summary of changes to subsidy programs offered since March 15, 2020¹

Subsidies offered for the period of March 15, 2020 to October 23, 2021

March 15, 2020 to July 4, 2020	July 5, 2020 to September 26, 2020	September 27, 2020 to June 5, 2021	June 6, 2021 to October 23, 2021
CEWS [P1 to P4]	CEWS [P5 to P7]	CEWS and CERS [P8 to P16]	CEWS, CERS and CRHP [P17 to P21]
<ul style="list-style-type: none"> Offered to an eligible employer who experiences a revenue decline of 30% or more for a reference month (15% for March) Fixed rate of 75% 	<p>Base CEWS</p> <ul style="list-style-type: none"> Offered to any employer who experiences a revenue decline for a reference month Variable rate based on the revenue decline % for the reference month <p>Top-up CEWS</p> <ul style="list-style-type: none"> Offered to any eligible employer who experiences an average revenue decline of at least 50% over the previous three months (even if no revenue decline in the reference month) Variable rate based on revenue decline % for the three-month period preceding the reference month (25% max.) 	<p>CEWS</p> <ul style="list-style-type: none"> Base CEWS unchanged Top-up CEWS: Rate based on revenue decline % in the reference month <p>CERS</p> <p>Base CERS</p> <ul style="list-style-type: none"> Offered to any eligible entity (owner or tenant) that experiences a revenue decline for a reference month Variable rate based on the revenue decline % for the reference month <p>Lockdown support</p> <ul style="list-style-type: none"> Offered to any entity that is eligible for the CERS that is required to stop an activity accounting for at least 25% of its income from that location Fixed rate of 25% 	<p>CEWS and CERS</p> <ul style="list-style-type: none"> Minimum revenue decline of 10% since July 4 to be eligible <p>CRHP</p> <ul style="list-style-type: none"> Offered to an eligible employer² who experiences a revenue decline in a reference month (minimum revenue decline of 10% as of July 4) Calculated on total additional remuneration paid to active employees for the given period, compared with that paid for the period of March 14 to April 10, 2021³ Variable rate based on the revenue decline for the reference month

Subsidies available for the period of October 24, 2021 to May 7, 2022 (P22 to P28)⁴

	THRP	HHBRP	LOCKDOWN SUPPORT	
Eligible organization				
Eligible industries	Recreation, tourism and hospitality	All industries	Any industry if activities ceased affecting an activity that accounted for at least 25% of revenues in the prior reference period	TEMPORARY EXPANSION (P24 TO P26)! Any industry if capacity reduction affecting activities that accounted for least 50% of revenues in the prior reference period
Decline in revenue				
Average monthly revenue decline over 12 months (March 2020 to February 2021)	40%	50%	n.a.	
Current month revenue decline	40%	50%	TEMPORARY EXPANSION! P24 to P26 (December 19, 2021 to March 12, 2022): 25%	
			Other periods (before December 19, 2021 and after February 12, 2022): 40%	
Maximum CEWS and CERS rate ⁵				
October 24, 2021 to March 12, 2022	75.0%	50%	75.0%	
March 13 to May 7, 2022	37.5%	25%	37.5%	

¹ Refer to Appendices 3 and 4 for a summary of the rates for these various programs.

² Employers that qualify for the CRHP are essentially the same as those that qualify for the CEWS, except that if it is a **for-profit corporation**, it must be a Canadian-controlled private corporation (CCPC) or a cooperative corporation that is eligible for the small business deduction.

³ Remuneration is limited to \$1,129 per week per employee. An increase over this ceiling is not considered for purposes of this calculation.

⁴ CRHP is also offered from October 24, 2021 to May 7, 2022.

⁵ The maximum rate is offered when the revenue decline is 75% or more for the period (gradual reduction when the revenue decline rate is less).

These comments are not intended to be an exhaustive review of statutes. Readers should not make any decisions without consulting their tax advisor.

Appendix 2 – Summary of changes to subsidy programs offered since March 15, 2020 (*Continued*)

Summary – Subsidies for entities subject to public health restrictions for periods 22 to 28 ⁶			
	Subsidies for entities required to <u>stop</u> their activities	Subsidies for entities required to <u>restrict</u> their activities	Lockdown support top-up (rent subsidy)
Period in question			
	Periods 22 to 28	Periods 24 to 26	Period 22 to 28 ⁷
Eligibility criteria			
<i>Current month decline in revenue</i>	<ul style="list-style-type: none"> 40% for P22, P23, P27 and P28 25% for P24 to P26 	<ul style="list-style-type: none"> 25% 	<ul style="list-style-type: none"> The entity must qualify for the THRP, the HHBRP or lockdown support for the given period
<i>Qualifying public health restriction</i>	<ul style="list-style-type: none"> The entity (or its non-arm's length tenant) is required to stop some or all of its activities in at least one location for at least 7 days (consecutive or not) in the qualifying period 	<ul style="list-style-type: none"> The activities of the entity (or its non-arm's length tenant) are reduced by at least 50% in at least one location for at least 7 days (consecutive or not) in the qualifying period 	<ul style="list-style-type: none"> The entity (or its non-arm's length tenant) is required to stop some or all of its activities in one location for at least one day in the qualifying period⁸
<i>Restricted activities</i>	<ul style="list-style-type: none"> The activities that were stopped accounted for at least 25% of total eligible revenue for the entity and its non-arm's length tenants during the prior reference period. 	<ul style="list-style-type: none"> The restricted activities accounted for at least 50% of total eligible revenue for the entity and its non-arm's length tenants during the prior reference period 	<ul style="list-style-type: none"> The activities that were stopped accounted for at least 25% of eligible revenue for the entity or its non-arm's length tenant during the prior reference period at the given location.
Subsidy available			
<i>Subsidy</i>	<ul style="list-style-type: none"> THRP (wage subsidy and rent subsidy) Lockdown support 		<ul style="list-style-type: none"> Lockdown support top-up (rent subsidy)
<i>Subsidy rate</i>	<ul style="list-style-type: none"> Rate up to 75%, based on the decline in revenue for the period⁹ 		<ul style="list-style-type: none"> Fixed rate of 25%
<i>Eligible expenses</i>	<ul style="list-style-type: none"> Expenses that qualify for the wage subsidy and the rent subsidy for the entire claim period (even if its activities were not stopped or restricted during the entire period) 		<ul style="list-style-type: none"> Eligible rent expenses for each day the entity is required to stop its activities due to a public health restriction

⁶ To give entitlement to these measures, the public health restriction must be for at least 7 days in a row. To our knowledge, this criterion is generally satisfied under the government mandates. In addition to this criterion, at least one of the entity's locations must be subject to a public health restriction for a certain number of days during the given period, as described in the table.

⁷ This top-up applies to any period that qualifies for the rent subsidy since the beginning of the CERS.

⁸ A partial public health restriction limiting the indoor capacity or the hours of operation does not qualify for this criterion.

⁹ The maximum rate is available when the decline in revenue is 75% or more for the given period (gradual rate reduction when the decline in revenue is less).

These comments are not intended to be an exhaustive review of statutes. Readers should not make any decisions without consulting their tax advisor.

Appendix 3 – CEWS – Summary of reference periods and rates

The following table summarizes the reference periods used to determine the decline in revenue for each claim period and the applicable CEWS rate.¹ The decline in revenue must take the deeming rule described in section 1.4.3 into account.

Base CEWS ²			
Claim period	Reference periods ³	Rate according to decline in revenue % ⁴	Deeming rule
March 15 to April 11, 2020 (P1)	March 2020 compared to March 2019 or to the average for January and February 2020	<ul style="list-style-type: none">15% and + gives entitlement to 75% CEWS	None
April 12 to May 9, 2020 (P2)	April 2020 compared to April 2019 or to the average for January and February 2020	<ul style="list-style-type: none">30% and + gives entitlement to 75% CEWS	The decline in revenue test is deemed to have been met if it is met for the previous period
May 10 to June 6, 2020 (P3)	May 2020 compared to May 2019 or to the average for January and February 2020		
June 7 to July 4, 2020 (P4)	June 2020 compared to June 2019 or to the average for January and February 2020		
July 5 to August 1, 2020 (P5)	July 2020 compared to July 2019 or to the average for January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 60% rate	The decline in revenue rate for a given period is deemed equal to that of the previous period if it is greater than the rate calculated for the given period.
August 2 to August 29, 2020 (P6)	August 2020 compared to August 2019 or to the average for January and February 2020	<ul style="list-style-type: none">Rate of [1.2 × % decline in revenue] if < 50%	
August 30 to September 26, 2020 (P7)	September 2020 compared to September 2019 or to the average for January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 50% rateRate of [1.0 × % decline in revenue] if < 50%	
September 27 to October 24, 2020 (P8)	October 2020 compared to October 2019 or to the average for January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 40% rateRate of [0.8 × % decline in revenue] if < 50%	
October 25 to November 21, 2020 (P9)	November 2020 compared to November 2019 or to the average for January and February 2020		
November 22 to December 19, 2020 (P10)	December 2020 compared to December 2019 or the average of January and February 2020		
December 20, 2020 to January 16, 2021 (P11)	December 2020 compared to December 2019 or to the average of January and February 2020		
January 17 to February 13, 2021 (P12)	January 2021 compared to January 2020 or to the average of January and February 2020		
February 14 to March 13, 2021 (P13)	February 2021 compared to February 2020 or to the average of January and February 2020		
March 14 to April 10, 2021 (P14)	March 2021 compared to March 2019 or the average of January and February 2020		
April 11 to May 8, 2021 (P15)	April 2021 compared to April 2019 or the average of January and February 2020		
May 9 to June 5, 2021 (P16)	Mai 2021 compared to May 2019 or the average of January and February 2020		
June 6 to July 3, 2021 (P17)	June 2021 compared to June 2019 or the average of January and February 2020		
July 4 to July 31, 2021 (P18)	July 2021 compared to July 2019 or the average of January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 35% rateRate of [0.875 × (% decline in revenue - 10%)] if > 10% but < 50% (nil to 10% and less)	
August 1 to August 28, 2021 (P19)	August 2021 compared to August 2019 or the average of January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 25% rate	
August 29 to September 25, 2021 (P20)	September 2021 compared to September 2019 or the average of January and February 2020	<ul style="list-style-type: none">Rate of [0.625 × (% decline in revenue - 10%)] if > 10% but < 50% (nil to 10% and less)	
September 26 to October 23, 2021 (P21)	October 2021 compared to October 2019 or the average of January and February 2020	<ul style="list-style-type: none">50% and + gives entitlement to the maximum 10% rateRate of [0.25 × (% decline in revenue - 10%)] if > 10% but < 50% (nil to 10% and less)	

¹ An employer that has experienced a decline in revenue of at least 30% for **periods 5 and 6** (taking into account the higher percentage for the current period or the prior period) can benefit from the 75% CEWS calculated using the method applicable for periods 1 to 4 if this method is more advantageous.

² The reference period serves to determine the employer's eligibility and, since period 5, to determine the rate of the base CEWS. Since period 8, the reference periods applicable to the base CEWS are also used to determine eligibility for the CERS.

³ The employer must use the same approach to determine the decline in revenue in periods 1 to 4. It can then elect the approach it prefers for period 5 and subsequent periods; the approach chosen must be used until the end of the program subject to the exception for periods 14 to 17. For those periods, an employer that was not carrying on a business, or otherwise not carrying on its ordinary activities as at March 1, 2019 may elect to use the alternative approach even if it normally uses the general approach.

⁴ The maximum remuneration that is eligible for the CEWS is \$1,129 per week per eligible employee for the entire program (for periods 1 to 4, 75% of \$1,129 is equivalent to \$847).

Appendix 3 – CEWS – Summary of reference periods and rates (Continued)

Top-up CEWS		
Claim period	Reference periods ⁵	Rate based on decline in revenue (DR)
July 5 to August 1, 2020 (P5)	Average from April to June 2020 compared to average from April to June 2019 or to the average for January and February 2020	<ul style="list-style-type: none"> Maximum rate of 25% (DR ≥ 70% or more) Nil if DR is < 50%
August 2 to August 29, 2020 (P6)	Average from May to July 2020 compared to average from May to July 2019 or to the average for January and February 2020	
August 30 to September 26, 2020 (P7)	Average from June to August 2020 compared to average from June to August 2019 or to the average for January and February 2020	
September 27 to October 24, 2020 (P8)	Average from July to September 2020 compared to average from July to September 2019 or to the average for January and February 2020	
October 25 to November 21, 2020 (P9)	Average from August to October 2020 compared to average from August to October 2019 or to the average for January and February 2020	
November 22 to December 19, 2020 (P10)	Average from September to November 2020 compared to the average from September to November 2019 or to the average from January and February 2020	
December 20, 2020 to January 16, 2021 (P11)	December 2020 compared to December 2019 or the average for January and February 2020**	<ul style="list-style-type: none"> Maximum rate of 35% (DR ≥ 70% or more) Nil if DR is < 50%
January 17 to February 13, 2021 (P12)	January 2021 compared to January 2020 or the average for January and February 2020**	
February 14 to March 13, 2021 (P13)	February 2021 compared to February 2020 or the average for January and February 2020**	
March 14 to April 10, 2021 (P14)	March 2021 compared to March 2019 or the average for January and February 2020**	
April 11 to May 8, 2021 (P15)	April 2021 compared to April 2019 or the average for January and February 2020**	
May 9 to June 5, 2021	May 2021 compared to May 2019 or the average for January and February 2020**	
June 6 to July 3, 2021 (P17)	June 2021 compared to June 2019 or the average for January and February 2020	<ul style="list-style-type: none"> Maximum rate of 25% (DR ≥ 70% or more) Nil if DR is < 50%
July 4 to July 31, 2021 (P18)	July 2021 compared to July 2019 or the average for January and February 2020	
August 1 to August 28, 2021 (P19)	August 2021 compared to August 2019 or the average for January and February 2020	
August 29 to September 25, 2021 (P20)	September 2021 compared to September 2019 or the average for January and February 2020	
September 26, to October 23, 2021 (P21)	October 2021 compared to October 2019 or the average for January and February 2020	
		<ul style="list-style-type: none"> Maximum rate of 10% (DR ≥ 70% or more) Nil if DR is < 50%

Calculation based on three-month average (P5 to P7)

For **periods 5 to 7** inclusively, the decline in revenue for purposes of the top-up CEWS is determined by comparing average revenue for the three calendar months preceding the 2020 reference month to either revenue for the same period in 2019 or average monthly revenue for January and February 2020, if the employer used that option as the previous reference period. Since **period 8**, the decline in revenue for the top-up CEWS is determined by the reference month applicable to the given period. For periods 8 to 10, an employer can nevertheless use the decline in revenue for the previous three-month period to determine its top-up CEWS rate, using the previous rule, if this is more advantageous.

Example – Decline in revenue based on the preceding quarter

An employer has \$210,000 in revenue between April 1, and June 30, 2020 (average monthly revenue of \$70,000). If the employer had \$600,000 in revenue for the same period in 2019, it therefore would have a 65% decline in revenue. The employer would be entitled to a top-up CEWS of 18.75% [i.e., $1.25 \times (65\% - 50\%)$]. If the employer had \$350,000 in revenue between January 1, and February 29, 2020 (average monthly revenue of \$175,000) and uses this comparison option, the decline in revenue would be 60%. It could then be entitled to a top-up CEWS of 12.5% [i.e., $1.25 \times (60\% - 50\%)$].

⁵ If the employer uses the average for January and February 2020 as the prior reference period, it must use that period for the top-up CEWS. Otherwise, that is, if the employer uses the general one year to the next method, the decline in revenue for the top-up CEWS must be determined using the same period in 2019, subject to the specifics measures applicable to period 11 and periods 14 to 16.

Appendix 4 – CRHP, THRP, HHBRP and Lockdown Support – Reference periods and rates

These tables summarize the reference periods used to determine the decline in revenue for each claim period and the applicable subsidy rate for each program based on the decline in revenue.

CRHP			
Claim period	Reference period ¹	Rate based on decline in revenue % (DR) ²	Deeming rule
June 6 to July 3, 2021 (P17)	June 2021 compared to June 2019 or the average for January and February 2020	50% if DR > 0%	The decline in revenue rate for a given period is deemed to be equal to the rate for the previous period if the latter is higher than the rate calculated for the given period.
July 4 to July 31, 2021 (P18)	July 2021 compared to July 2019 or the average for January and February 2020	50% if DR > 10%	
August 1 to August 28, 2021 (P19)	August 2021 compared to August 2019 or the average for January and February 2020	40% if DR > 10%	
August 29 to September 25, 2021 (P20)	September 2021 compared to September 2019 or the average for January and February 2020	30% if DR > 10%	
September 26 to October 23, 2021 (P21)	October 2021 compared to October 2019 or the average for January and February 2020	50% if DR > 10%	
October 24 to November 20, 2021 (P22)	November 2021 compared to November 2019 or the average for January and February 2020		
November 21 to December 18, 2021 (P23)	December 2021 compared to December 2019 or the average for January and February 2020		
December 19, 2021 to January 15, 2022 (P24)	January 2022 compared to January 2020 or the average for January and February 2020		
January 16 to February 12, 2022 (P25)	February 2022 compared to February 2020 or the average for January and February 2020		
February 13 to March 12, 2022 (P26)	March 2022 compared to March 2019 or the average for January and February 2020		
March 13 to April 9, 2022 (P27)	April 2022 compared to April 2019 or the average for January and February 2020		
April 10 to May 7, 2022 (P28)	May 2022 compared to May 2019 or the average for January and February 2020		

THRP, HHBRP and Lockdown Support			
Claim period	Reference period ¹	Rate based on decline in revenue (DR) % ²	Deeming rule
October 24 to November 20, 2021 (P22)	November 2021 compared to November 2019 or the average for January and February 2020	THRP and Lockdown Support <ul style="list-style-type: none">▪ Rate = DR (max. 75%)▪ Nil if DR < 40% HHBRP <ul style="list-style-type: none">▪ Rate if 50% if DR is 75% and +▪ Rate of $[1.6 \times (DR - 50\%) + 10\%]$ if DR > 49%, but < 75%▪ Nil if DR < 50%	The decline in revenue rate for a given period is deemed to be equal to the rate for the previous period if the latter is higher than the rate calculated for the given period.
November 21 to December 18, 2021 (P23)	December 2021 compared to December 2019 or the average for January and February 2020		
December 19, 2021 to January 15, 2022 (P24)	January 2022 compared to January 2020 or the average for January and February 2020		
January 16 to February 12, 2022 (P25)	February 2022 compared to February 2020 or the average for January and February 2020		
February 13 to March 12, 2022 (P26)	March 2022 compared to March 2019 or the average for January and February 2020		
March 13 to April 9, 2022 (P27)	April 2022 compared to April 2019 or the average for January and February 2020	THRP and Lockdown Support <ul style="list-style-type: none">▪ Rate = $\frac{1}{2} \times \text{DR}$ (max. 37.5%)▪ Nil if DR < 40% HHBRP <ul style="list-style-type: none">▪ Rate if 25% if DR is 75% and +▪ Rate of $[0.8 \times (DR - 50\%) + 5\%]$ if > 49%, but < 75%▪ Nil if DR < 50%	
April 10 to May 7, 2022 (P28)	May 2022 compared to May 2019 or the average for January and February 2020		

¹ The employer must use the same approach to determine the decline in revenue in periods 5 and following; the approach chosen must be used until the end of the program subject to the exception for periods 26 to 28. For those periods, an employer that was not carrying on a business, or otherwise not carrying on its ordinary activities as at March 1, 2019 may elect to use the alternative approach even if it normally uses the general approach.

² The maximum eligible remuneration is \$1,129 per week per eligible employee.

Appendix 5 – CEWS for Periods 1 to 4

The eligibility and calculation rules for the CEWS for periods 1 to 4, that is from March 15 to July 4, and the specific rules applicable to these periods are presented below.

Eligibility

To be eligible for the CEWS for periods 1 to 4, that is from March 15, to July 4, 2020, an employer must have experienced a decline in eligible revenue of at least:

- 15% for the month of March 2020; and
- 30% for the months of April, May and June 2020.

Under the deeming rule, an employer that can show it meets the decline in revenue test for one of the months of March, April or May is deemed to meet this test for the immediately following period.

Example – Deeming rule for periods 1 to 4

An employer whose revenue for March 2020 declined by more than 15% compared to March 2019 can claim the CEWS on remuneration paid for the March 15 to April 11, 2020 period (P1) and for the April 12, to May 9, 2020 period (P2). In order to claim the subsidy for period 3, i.e., May 10 to June 6, 2020, the employer must show it meets the decline in revenue test for the month of April or May 2020.

CEWS calculation for periods 1 to 4

The maximum subsidy per employee for periods 1 to 4 is the **greater** of the following amounts:

- 75% of the amount of remuneration paid by the employer (up to a maximum of \$847 per week);
- The amount of remuneration paid **or** 75% of the employee's baseline remuneration, **whichever is less** (up to a maximum of \$847).

Accordingly, the subsidy can be up to 100% of the first 75% of employees' pre-crisis remuneration **or** 75% of the remuneration paid to new employees (without exceeding the \$847 ceiling). Examples of the CEWS calculation for periods 1 to 4 are presented below.

For these periods, the subsidy amount in respect of an employee who is not at arm's length is the lesser of the remuneration actually paid for the period or 75% of the baseline remuneration (to a maximum of \$847 per week). An increase in that employee's remuneration is not eligible for the subsidy for that period.

Example – Employee not dealing at arm's length (P1 to P4)

A non-arm's length employee earned \$500 per week before the crisis. The CEWS for the employee for periods 1 to 4 will be \$375 (that is, 75% of \$500), even if the employee earns \$1,000 since March 15, 2020.¹

Eligible remuneration

For these periods, the subsidy calculation takes into account the baseline remuneration for an arm's length employee.² Additionally, the CEWS applies to the remuneration paid to any eligible employee, whether active or on leave with pay, that is, paid for a period during which the employee does not perform any work for the employer, for example, during a temporary lay-off.

For periods 1 to 4, an employer cannot claim the CEWS for an employee for a given period if this employee has not received any remuneration for at least 14 consecutive days during this period. This rule could impact the eligibility for the subsidy for employees hired during this period, as illustrated in the example below.³

Example – Employee not paid for 14 consecutive days

A new employee started working on March 29, 2020. Because the employee did not receive remuneration from the employer from March 15 to 28, 2020, that is, 14 consecutive days, the remuneration paid to the employee for the period of March 29 to April 11, 2020 will not be eligible for the CEWS. However, the subsidy could be claimed for the employee for the following claim period starting on April 12, 2020 if the eligibility conditions are satisfied.

¹ In such a situation, for an arm's length employee, the employer would be entitled to a subsidy of \$750, that is, 75% of the actual amount paid.

² For these periods, the baseline remuneration can serve to maximize the CEWS for an arm's length employee to the extent that the remuneration paid during a qualifying period is less than the baseline remuneration. The baseline remuneration also serves to calculate the CEWS for non-arm's length employees for these periods, as is also the case for subsequent periods.

³ Since July 5, 2020 (P5), employees who are unpaid for 14 consecutive days are no longer excluded from the CEWS. Accordingly, the remuneration paid to an employee hired on July 19 is eligible for the CEWS for period 5, even if that employee was not paid by the employer for 14 consecutive days during the period. As a result of the change in the eligibility criteria, the remuneration an employer pays to Quebec construction workers is eligible for the CEWS for period 5, even if their vacation pay is paid by the Commission de la construction du Québec (CCQ) for the period of July 19 to August 1 (so technically, these employees could be considered without remuneration from their employer for 14 consecutive days during this qualifying period).

Appendix 5 – CEWS for Periods 1 to 4 (Continued)

Examples of CEWS calculation for periods 1 to 4

Example 1

An employee normally earns a salary of \$52,000 per year, i.e., \$1,000 per week. Due to the drop in its level of activity, the employer pays the employee a weekly amount of \$750 since March 15, 2020. The employer will be entitled to a \$750 subsidy for the employee, calculated as follows:

	The greater of A or B		
A	75% of the wages paid (max. \$847) (75% of \$750)		\$563
B	The lesser of:		
	▪ the wages paid (max. \$847)	\$750	
	▪ 75% of the employee's pre-crisis wages (75% of \$1,000)	\$750	\$750

Example 2

An employee normally earns a salary of \$52,000 per year, i.e., \$1,000 per week. Due to the drop in its level of activity, the employer pays the employee a weekly amount of \$500 since March 15, 2020. The employer will be entitled to a \$500 subsidy for the employee, calculated as follows:

	The greater of A or B		
A	75% of the wages paid (max. \$847) (75% of \$500)		\$375
B	The lesser of:		
	▪ the wages paid (max. \$847)	\$500	
	▪ 75% of the employee's pre-crisis wages (75% of \$1,000)	\$750	\$500

Example 3

An employee normally earns a salary of \$98,800 per year, that is, \$1,900 per week. Due to the decrease in its activity level, the employer pays the employee a weekly amount of \$1,520, i.e., 80% of the employee's salary, since March 15, 2020. The employer will be entitled to an \$847 subsidy for the employee, calculated as follows:

	The greater of A or B		
A	75% of the remuneration paid (max. \$847) (75% of \$1,520)		\$847
B	The lesser of:		
	▪ the remuneration paid (max. \$847)	\$847	
	▪ 75% of the employee's pre-crisis remuneration (75% of \$1,900)	\$1,425	\$847

Example 4

Before the crisis, an employee normally earned a salary of \$41,600 per year, that is, \$800 a week. To recognize this employee's contribution to an essential service, the employer pays the employee \$900 per week since March 15, 2020. The employer will be entitled to a \$675 subsidy for this employee, calculated as follows:

	The greater of A or B		
A	75% of the remuneration paid (max. \$847) (75% of \$900)		\$675
B	The lesser of:		
	▪ the remuneration paid (max. \$847)	\$847	
	▪ 75% of the employee's pre-crisis wages (75% of \$800)	\$600	\$600

Appendix 6 – Example of the decline in revenue test calculation for an employer that derives 90% or more of its revenue from non-arm's length persons¹

Facts and assumptions

For the month of March 2020, Holdco derives 95% of its revenue from Corporations A, B and C that are not at arm's length. Its revenue is allocated as follows:

Revenue from Corporation A	\$200,000
Revenue from Corporation B	\$120,000
Revenue from Corporation C	\$60,000
Revenue from third parties	\$20,000

Holdco's revenue for March 2020 total \$400,000. Of this amount, \$380,000 comes from non-arm's length corporations.

The company chooses to use revenue for the same month in 2019 as a comparative. In determining its decline in revenue for March 2020 for purposes of the CEWS, Holdco can elect to consider the percentage of decline in revenue for each non-arm's length corporation for that period.²

	Corporation A	Corporation B	Corporation C
March 2020 revenue	\$150,000	\$200,000	\$300,000
March 2019 revenue	\$300,000	\$300,000	\$350,000
% of decline in revenue in March 2020	50.00%	33.33%	14.29%

Holdco's decline in revenue calculation for the reference period (March 2020)

If Holdco makes that election, its decline in revenue for the March 2020 period will be calculated as follows, by applying the revenue reduction percentage for each non-arm's length corporation to Holdco's revenue from these entities.

		Corporation A	Corporation B	Corporation C	Total
X	% of the decline in revenue from each corporation for the March 2020 period	50.00%	33.33%	14.29%	
Y	Holdco's revenue from the corporation for March 2020	\$200,000	\$120,000	\$60,000	
Z	Holdco's revenue from all the corporations for March 2020	\$380,000	\$380,000	\$380,000	
Weighted average of the decline in revenue to be used for Holdco [$X*(Y/Z)$]		26.32%	10.53%	2.25%	39.10%

Conclusion

Holdco has a 39.10% decline in revenue for March 2020. It therefore qualifies for the CEWS for the remuneration it paid for the March 15, 2020 to April 11, 2020 period (P1) and for the April 12, 2020 to May 9, 2020 period (P2).

¹ Examples are also provided in CRA's [FAQs about the CEWS](#).

² In determining the decline in revenue from non-arm's length parties, their revenue earned in Canada and abroad must be included.

Appendix 7 – 10% Temporary Wage Subsidy (TWS)

The TWS applies for a period of three months, from March 18, 2020 to June 19, 2020. It is equal to 10% of the remuneration paid during this period, up to the lesser of the following amounts:

- \$1,375 × the total number of eligible employees during the three-month period;¹
- \$25,000.²

Example – TWS limit

An employer has 8 eligible employees for the entire three-month period. The maximum allowable amount that this employer can claim with respect to the 10% TWS is \$11,000 (or \$1,375 × 8). If this employer pays each employee \$2,375 biweekly, the total wages paid over the three-month qualifying period will amount to \$114,000. This employer will be entitled to a subsidy of \$11,000, i.e., the lesser of 10% of the remuneration paid (\$11,400) and the maximum allowable of \$11,000.

Employers eligible for the 10% subsidy

Canadian-controlled private corporation

To qualify for the subsidy, the business limit for purposes of the small business deduction (SBD) of a Canadian-controlled private corporation (CCPC) in the previous year must be greater than zero. Therefore, the corporation must have taxable capital of less than \$15M, or, if it is a member of a group of associated corporations, the taxable capital of all of the group's corporations must be less than \$15M.

Each of the corporations in the group will be entitled to a maximum subsidy of \$25,000, to the extent they were allotted an amount as a business limit for purposes of the SBD in the previous year.

TEST BASED ON BUSINESS LIMIT

Only corporations that had a business limit greater than zero for purposes of the SBD are eligible for this subsidy.³ Therefore, in order to qualify all the corporations in a group entitled to the SBD, it will be necessary to allocate a portion of the business limit to each of them for the last taxation year ended before March 18, 2020 even if they do not need it (for example, a corporation realizing losses). This allocation is particularly important for corporations that do not qualify for the CEWS.

The business limit must not take account of the passive investment income reduction. Accordingly, a corporation would be eligible for the subsidy if it had a business limit in its last taxation year, if this business limit was not reduced by passive income.

Other eligible employers

Eligible employers also include:

- An individual (other than a trust);
- An NPO⁴ or a registered charity;
- A partnership if all of the members are eligible employers (i.e., previously described CCPCs, individuals other than a trust, NPOs and/or registered charities).

Moreover, the employer must have a business number and a payroll program account with the CRA as at March 18, 2020.

Eligible remuneration

Eligible remuneration includes salary, wages, bonuses, or other remuneration paid to your employee, who is employed in Canada, during the qualifying period from March 18, 2020 to June 19, 2020 inclusively.

Unlike the CEWS, the 10% TWS is calculated on a cash basis, based on the remuneration actually paid during the qualifying period. Any amount claimed under the 10% TWS reduces the CEWS amount for the same period.

¹ This limit takes into account the highest number of eligible employees at any time during the three-month period. Thus, if the employer had 5 eligible employees in the first month and 8 in the following month, the limit will be \$11,000 (\$1,375 × 8 employees) as shown in example below. For additional details see [Canada.ca](https://www.canada.ca).

² Associated CCPCs do not have to share the ceiling of \$25,000 per employer.

³ If there is no previous year, the condition must be satisfied as though its taxation year end was March 17, 2020.

⁴ Exempted from tax under ITA 149(1)(l), i.e., a club, society, or association that is organized and operated solely for social welfare, civic improvement, pleasure or recreation or any purpose other than profit.

Claiming the subsidy

Employers must calculate the subsidy amount they are entitled to receive themselves and reduce the payroll remittance⁵ payable to the CRA by that amount.

Employers can reduce their remittance in the first remittance period that includes remuneration paid from March 18, 2020 to June 19, 2020. They then reduce subsequent remittances for the period until the applicable subsidy limit is reached.

If the subsidy is higher than the federal tax withheld for the payment period, the unused amount can be deferred to a payment period after June 19, 2020, that is, a period that falls outside the wage subsidy application period.

Subsidy not claimed during the year

An eligible employer who did not reduce payroll remittances during the year can apply to have the subsidy paid at year end or transferred to the next year.

Form to be completed (PD27) and waiver of the 10% TWS

Employers that are eligible for the 10% TWS must complete a self-identification form PD27 - *Temporary Wage Subsidy Self-identification Form for Employers* for each payroll program account where remittances were reduced by the TWS.⁶ This form must generally be completed by employers who qualify for the TWS even if they elect to waive it.⁷

The CRA will use this information to reconcile the subsidy with the payroll program account. The CRA will credit the payroll program account by the amount for which employers are eligible if they did not reduce their remittances.

POSSIBILITY OF WAIVING THE 10% TWS

Employers eligible for both subsidies can waive the 10% TWS in order to only claim the CEWS.⁸ Employers who chose to waive the 10% TWS must indicate this election on the form. This waiver can be made for a given claim period or for the entire duration of the 10% TWS. If they fail to do so, they will be credited for the entire 10% TWS and their CEWS claim will be reduced accordingly and recovered if necessary.

Documents to support the 10% TWS

The following documents must be kept in order to support the subsidy calculation:

- The total remuneration paid during the period;
- The income tax⁹ that was deducted from that remuneration;
- The number of employees paid in that period.

⁵ Applies solely to payments to the CRA for federal, provincial or territorial taxes. Thus, this measure does not apply to Quebec income tax remittance. In addition, CPP contributions or Employment Insurance premiums remittance cannot be reduced.

⁶ The CRA provides instructions for completing it when the remuneration for a pay period started before March 18, 2020 is paid after that date or when the remuneration for a pay period started before June 19, 2020 is paid after this date (see scenario 5 of the [Filing your self-identification form](#) section).

⁷ The employer does not need to file this form if it has elected not to claim the CEWS and the TWS. If the employer claims the CEWS but elects not to claim the 10% TWS, it must complete and file form PD27 with a zero balance. See scenario 6 in the [Filing your self-identification form](#) section for more details.

⁸ The regulation states that the subsidy rate is equal to 10% or a lower percentage elected by the eligible employer. By choosing nil, the employer would waive this subsidy.

⁹ Federal and provincial (other than Quebec tax).