

UPDATED: CAN MY BUSINESS ACCESS THE 75% FEDERAL WAGE SUBSIDY?

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Since the time this article was originally published on April 2, 2020, new details about the Canada Emergency Wage Subsidy have been announced. The article below has been updated to reflect the following new information:

- *On April 8, 2020 Prime Minister Justin Trudeau announced that companies who suffer a drop in gross revenues of at least **15%** in March 2020 will be eligible for the Canada Emergency Wage Subsidy. For April and May 2020, the **30%** drop in revenues still applies in order to be eligible.*
- *The federal government has also announced an alternate approach for calculating the change in revenue. Employers are able to compare their revenues using an average of their revenue earned in January and February 2020. Employers must select the year-over-year approach or the comparison to the average of January and February and use the same approach for duration of the wage subsidy program.*
- *Minister of Finance Bill Morneau has elaborated on the severe penalties that businesses could face if they are found to be taking advantage of the wage subsidy program or deemed ineligible. The penalties could be up to 225% of the amounts received from the wage subsidy program or up to five years in prison.*

On April 1, 2020, the Minister of Finance, Bill Morneau, announced details about the Canada Emergency Wage Subsidy. The Canada Emergency Wage Subsidy will help Canadian employers stay in business and bridge their expenses throughout these unprecedented times.

What is the Wage Subsidy?

As part of the federal government's COVID-19 Economic Response Plan, employers would receive funding as a subsidy for up to 75% of their employees' earnings. The federal government will subsidize the greater of:

- 75% of the first \$58,700 of what is earned by an employee, up to a maximum of \$847 per week; and
- 75% of the employee's pre-crisis weekly remuneration, up to a maximum of \$847 per week.

Remuneration does **not** include severance pay, stock option benefits, or the personal use of a corporate vehicle.

Do Employers Have to Pay the Remaining 25% of Employees' Remuneration?

Employers are expected to use their best efforts to top up the remaining 25% of salaries so that employees are receiving their pre-crisis remuneration.



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What if I Hire New Employees After March 15, 2020?

Employers will also be eligible for a subsidy of up to 75% of salaries and wages paid to new employees. The wage subsidy also applies to salaries and wages of employees who have already been laid off by their employers due to the crisis but are subsequently rehired during the three month period.

Is My Business Eligible for the Wage Subsidy?

The wage subsidy is available to businesses, large and small. It is also available to non-profit organizations and registered charities; however, the wage subsidy is not available to public sector entities or non-taxable corporations. Notably, Canadian subsidiaries of foreign-controlled companies are eligible for the subsidy.

The wage subsidy will be available to companies who suffer a drop in gross revenues of at least 15% in March 2020 and at least 30% in April or May 2020. The drop will either be determined by comparing revenues to the same month in 2019 or by comparing revenues to the average of revenues in January and February 2020. Employers must select the year-over-year approach or the comparison to the average of January and February and use the same approach for duration of the wage subsidy program. Employers are required to attest to the decline in revenue.

What Period of Time Does the Wage Subsidy Cover?

If the employer shows at least a **15%** decline in revenue in March 2020, as compared to March 2019 or the average of revenues in January and February 2020, they will be eligible to claim the benefit between **March 15 and April 11**.

If the employer shows at least a **30%** decline in revenue in April 2020, as compared to April 2019 or the average of revenues in January and February 2020, they will be eligible to claim the benefit between **April 12 and May 9**.

If the employer shows at least a **30%** decline in revenue in May 2020, as compared to May 2019 or the average of revenues in January and February 2020, they will be eligible to claim the benefit between **May 10 and June 6**. Currently, the subsidy is only available for **12 weeks** and employers will have to reapply each month.

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Is My Business Still Eligible If It Was Established After February 2019?

Yes, businesses established after February 2019 can show the required decline by comparing their revenues to the average of revenues in January and February 2020.

How Is Revenue Calculated?

For the purposes of the wage subsidy, revenue is considered revenue from business **carried on in Canada earned from arm's length sources**. Revenue would exclude revenue from extraordinary items and amounts on account of capital. The definition of revenue will be adjusted appropriately for non-profits and charities.

When Will My Business Receive the Funds?

Funds are expected to flow to businesses within the next three to six weeks. Registering for direct deposit will help avoid delay in receipt of funds.

What if My Business Does Not Qualify for the Wage Subsidy?

Small businesses who have not seen a drop in their revenue and, as a result, do not qualify for the Canada Emergency Wage Subsidy, may still qualify for the previously announced 10% wage subsidy. The 10% wage subsidy applies to salaries paid from March 18 to June 20, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

For employers eligible for both the Canada Emergency Wage Subsidy and the 10% wage subsidy, any benefit from the 10% wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in the same period.

How Does My Business Apply for the Wage Subsidy?

Applications will be administered through the Canada Revenue Agency's My Business Account portal as well as through a web-based application.

What Do I Need For my Application?

Employers will need to have records demonstrating their reduction in arm's length revenues and remuneration paid to employees.

Is the Wage Subsidy Taxable Income?

Yes – the wage subsidy would be considered government assistance and should be included in the employer's taxable income.

Should My Business Apply for the Wage Subsidy?

If your business qualifies and is able to show the requisite decline in arm's length revenue, the Canada Emergency Wage Subsidy may be a good option for your business to retain its employees during this period of crisis. However, the federal government has indicated there will be severe penalties (up to 225% of funds received from the wage subsidy program or up to five years in prison) for businesses deemed to have submitted inaccurate claims so it is important to ensure your business meets the eligibility requirements for the wage subsidy.

If you have questions about the wage subsidy, please contact the employment group or the business group at Fogler, Rubinoff, LLP.

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