



ADDITIONAL MEASURES ADDRESSING COVID-19 CANADA

As at **April 8, 2020**, the Federal and provincial governments have updated some of their previously announced measures in response to COVID-19 and added some others. We wish to stress that legislation has not yet been made available yet and, as such, the final programs may differ from what has been detailed below.

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EMPLOYER-EMPLOYEE MATTERS

Canada Emergency Wage Subsidy (“CEWS”)

Subsidy Computation and Employer Top-Up Requirements

- The federal government had previously announced that, retroactive to March 15, 2020, individuals, small and large businesses (whether in corporate or partnership form), non-profits and charities (regardless of their number of employees) can receive a subsidy with respect to wages paid to their employees between March 15, 2020 and June 6, 2020.
- The amount of the subsidy is generally equal to 75% of wages paid, up to a maximum amount of \$847 per week, per employee, for a period of three months. In certain cases, the subsidy received by an employer can equal 100% of wages currently being paid if the employee receives up to 75% of their pre-crisis remuneration and if their pre-crisis remuneration was \$1,129 per week or less. There is no limit on the total aggregate subsidy an employer may claim.
- Employers must make their “best effort” to top-up employees’ wages to their pre-crisis remuneration, based on the average weekly remuneration earned between January 1 and March 15 inclusively. Additional details regarding the concept of “best efforts” will be provided as they become known but for now this matter appears to be somewhat vague.

Calculating Revenues and Revenue Reduction Test

- Eligibility for the CEWS requires employers to demonstrate that their revenues from their business carried on in Canada from arm’s length sources has decreased by 30%. For the month of March 2020 only, the previously announced requisite 30% decline in revenue is now 15%.
- Employers will now be able to use one of the following comparative benchmarks to determine if the revenue reduction test is met:
 - 2020 monthly revenue to the same month in 2019; or
 - January and February 2020 average revenues to the month for which the CEWS is claimed.
- Employers can now compute their revenues for the purposes of the test using either the accrual or cash method of accounting.
- The comparative benchmark and the accounting method initially selected during the application process must continue to be used for the entire duration of the CEWS program.
- For the purpose of the revenue reduction test, NPOs and registered charities can choose to include or exclude government funding; revenues from non-arm's length persons must be excluded.
- Additional rules will be announced to address issues for corporate groups, non-arm’s length entities and joint ventures.

Application Process

- Employers can apply for the subsidy via the Canada Revenue Agency (“CRA”) *My Business Account* portal or through a web-based application. Applicants must apply on a monthly basis and must keep records demonstrating their revenue reduction and remuneration paid to employees. Additional details regarding the application process will be provided as they become known.
- It is our understanding that the application process will be operational in the next two to five weeks. The CRA will start disbursing amounts to employers in approximately five weeks. Given the time lag, employers may have to temporarily finance payroll.
- Once the CRA’s portal and web-based application is open, employers will be able to apply for the subsidy in respect of wages paid during the following claim periods:
 - March 15th to April 11th – 15% revenue reduction – eligibility based on March 2020 compared to March 2019 revenues or the average of January and February 2020
 - April 12th to May 9th – 30% revenue reduction – eligibility based on April 2020 compared to April 2019 revenues or the average of January and February 2020
 - May 10th to June 6th – 30% revenue reduction – eligibility based on May 2020 compared to May 2019 revenues or the average of January and February 2020.
- To the extent that an employer is not yet registered with CRA *My Business Account*, they are encouraged to do so. Please contact us for further information.

Other Matters

- Any amount received by an employer under this program remains taxable to it and will also reduce remuneration expenses for the purpose of certain tax credits (e.g., SR&ED).
- An employer can claim the CEWS with respect to employees that remain on payroll (whether full or part-time), as well as for employees that had been laid-off and who have subsequently been re-hired, provided they have not been without remuneration for a period of more than 14 consecutive days. This is intended so that the Canada Emergency Response Benefit and the CEWS cannot be claimed at the same time. Additional details regarding the mechanism that will be put in place to monitor duplication of claims will be provided as they become known.
- An employer will be required to repay amounts received under the CEWS if they do not meet the eligibility requirements. Penalties can be applied in the case of fraudulent claims or if transactions are undertaken to reduce revenues intentionally for the purpose of claiming the CEWS.
- Employers will be required to designate someone with control over their finances to attest to their CEWS claims.

Work Sharing Program

- The Work Sharing program was expanded. In addition, for employers and employees that are participating in a Work-Sharing program, EI benefits received by employees through this program will reduce the benefit that their employer is entitled to receive under the CEWS.

Payroll

- Subject to the application of the Temporary Wage Subsidy mentioned in our previous bulletin, businesses must continue to remit income tax payroll deductions, including any employer contributions.
- The federal government has announced that they will refund 100% of employer-paid contributions, being EI, CPP, QPP and QPIP, during the period in which an employee is on paid leave and for which the employer is eligible for the CEWS. This refund is over and above the CEWS and can be claimed at the same time that an employer applies for CEWS.
- No corresponding relief has yet been announced by the Quebec or Ontario governments.

LOAN PROGRAMS

Canada Emergency Business Account

- The application process for this loan will be available as of April 9, 2020 and applicants should contact their financial institution to commence the application process.

QUÉBEC

Le panier bleu

- Quebec has launched an online database to support and highlight Quebec businesses that offer online services.

Programme actions concertées pour le maintien en emploi (PACME)

- Quebec announced a new program, retroactive to March 15, 2020, aimed at businesses whose operations have been affected by COVID-19 and who undertake new training initiatives favoring the development of their employees as well as human resource management activities.
- The PACME will reimburse 100% of the first \$100,000 of eligible expenses and 50% of the next \$400,000 of eligible expenses. Such eligible expenses will include salaries for those employees in training as well as training and human resource management expenses (such as consultants, materials and other specific direct and indirect costs).
- To be eligible, a training project must be approved in advance.
- PACME can be combined and is complementary to other programs such as the CEWS. The program is expected to last until September 30, 2020.