



IMPORTANT CHANGES TO THE CANADA EMERGENCY WAGE SUBSIDY ("CEWS") PROGRAM.

ON **JULY 27, 2020**, THE FEDERAL GOVERNMENT ENACTED SEVERAL IMPORTANT CHANGES TO THE CANADA EMERGENCY WAGE SUBSIDY ("CEWS").

In particular, the changes enable **any employer with a revenue decline for any reason** to be eligible for the subsidy for the periods beginning July 5, 2020. As well, the changes provide for a subsidy which likely is less generous than under the old regime (applicable from March 2020 to June 2020). The program has also been extended until November 21, 2020, and the deadline to apply for any or all CEWS periods is now January 31, 2021.

Due to the complex nature of these rules, readers are urged to seek out their Richter professionals so that their impact can be properly evaluated and that their revenue decline analysis and wage subsidy calculations can be properly determined.

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

TORONTO

181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

MEASURING REVENUES AND EXPANSION OF REVENUE DECLINE TEST

- Under the new regime, the amount that can be claimed under the CEWS is calculated based upon the revenue decline of the business, as follows:

CEWS Period	CEWS percentage if revenue decline is less than 50% (Base Amount)	CEWS percentage if revenue decline is 50% or more (Base Amount)	Additional CEWS if revenue decline is more than 50% (Top-Up)
<p>The below percentages are applied to the salary paid to an employee that is not on paid leave in a week up to a maximum of \$1,129. As under the previous CEWS regime, there are special rules for non-arm's length employees.</p>			
Period 5: July 5, 2020 to August 1, 2020 Period 6: August 2, 2020 to August 29, 2020	1.2 * <i>(revenue decline %)</i>	60%	1.25 * <i>(three-month average revenue decline - 50%), up to a maximum of 25%</i>
Period 7: August 30, 2020 to September 26, 2020	1 * <i>(revenue decline %)</i>	50%	1.25 * <i>(three-month average revenue decline - 50%), up to a maximum of 25%</i>
Period 8: September 27, 2020 to October 24, 2020	0.8 * <i>(revenue decline %)</i>	40%	1.25 * <i>(three-month average revenue decline - 50%), up to a maximum of 25%</i>
Period 9: October 25, 2020 to November 21, 2020	0.4 * <i>(revenue decline %)</i>	20%	1.25 * <i>(three-month average revenue decline - 50%), up to a maximum of 25%</i>

- As an alternative, if a business is better off under the old regime, they can continue to benefit from those rules for the periods beginning July 5, 2020, and August 2, 2020.

OTHER CHANGES TO THE CEWS PROGRAM

- Entities that do not use GAAP as their normal accounting method can elect to use GAAP when computing revenues for the purpose of the CEWS.
- Effective July 5, 2020, a business may continue to use the same comparative benchmark they used under the old regime, being a comparison to the same month in 2019 or a comparison against the average revenue for January and February 2020. However, effective for the period beginning on or after July 5, 2020, a business can switch their choice of comparative benchmark on a go-forward basis, which may represent an opportunity for some businesses.
- Effective July 5, 2020, if the prior monthly revenue decline is greater than the revenue decline of the month in which the claim is being made, the revenue decline of the prior month will be used in order to determine the CEWS percentage, which will result in a greater CEWS claim.
- Effective July 5, 2020, the concept of “eligible employee” no longer excludes employees that are without remuneration in respect of 14 or more consecutive days in an eligibility period.
- The concept of “baseline remuneration” has been modified in a manner that may be helpful if an employee was not receiving salary from January to March 2020 but was receiving salary in 2019.
- Effective July 5, 2020, the subsidy calculation applicable to employees on paid leave has been modified and may represent an opportunity to retain employees, even if a full workforce is not required on or after July 2020.
- CEWS is now available where the employer’s payroll is administered by another person and the source deductions are remitted under that person’s business number.
- CEWS may now be available where all or substantially all of a business’ assets were acquired from another business.
- Rules were introduced to ensure CEWS is available in certain circumstances where an amalgamation has taken place.
- The anti-avoidance rule has been extended to encompass actions taken to increase a CEWS payment by way of increasing a revenue decline in relation to periods beginning July 5, 2020, and onwards.
- Private schools or colleges which are either a registered charity or exempt from income tax will be able to exclude funding from government sources in the determination of qualifying revenue.
- A dispute resolution mechanism has been introduced.