

TEMPORARY WAGE SUBSIDY FOR EMPLOYERS UPDATE

Part of the Federal Government's previously announced Economic Plan (March 18, 2020) included a provision to provide eligible small employers with a three month temporary wage subsidy. More details have been released regarding the subsidy and are summarized below:

WHICH EMPLOYERS ARE ELIGIBLE?

Eligible employers include:

- Non-profit organizations, registered charities and Canadian controlled private corporations (CCPC's). Note that only CCPC's with a taxable capital of less than \$15 million (in Canada) in their previous fiscal year will be eligible.
- Employers must have an existing business number and payroll program account with the Canada Revenue Agency (CRA) as at March 18, 2020.
- Employers who pay salary, wages, bonuses or other remuneration to an employee.

HOW MUCH IS THE SUBSIDY?

The subsidy is equal to 10% of the remuneration paid between March 18, 2020 and June 20, 2020, to a maximum of \$1,375 per employee and \$25,000 per employer. For example, if an employer has five employees, the maximum subsidy available is \$6,875 ($\$1,375 \times 5$), even though the employer maximum is \$25,000. The lesser of the two subsidies is the applicable one.

The subsidy must be calculated manually. For example, if the employer has five employees each earning \$4,100 monthly (\$20,500 in total), the subsidy for that month is \$2,050 ($10\% \times \$20,500$).

Associated CCPC's will not be required to share the maximum subsidy of \$25,000 per employer and may apply for their own.

HOW WILL THE EMPLOYER RECEIVE THE SUBSIDY?

Once the employer has calculated the subsidy, its current payroll remittance of federal, provincial or territorial income tax is reduced by that amount. Note that the employer cannot reduce Canada Pension Plan contributions or Employment Insurance premiums, only income tax.

REMITTANCE REDUCTIONS START DATE

Employers may start reducing their payroll income tax remittances in the first payroll remittance period that includes remuneration paid between March 18, 2020 and June 20, 2020. For example, if the employer is a regular monthly remitter, it can reduce the payroll remittance that is due April 15, 2020.

SUBSIDIES EXCEEDING REMITTANCES

If the income taxes deducted from employees are not sufficient to offset the value of the subsidy in a specific payroll period, the employer may reduce future payroll remittances to benefit from the subsidy. This will include reducing remittances that may fall outside of the application period for the subsidy (after June 20, 2020).

By example, if the employer calculated a subsidy of \$2,050 on remuneration paid between March 18, 2020 and June 20, 2020, but only had \$1,050 in income tax deductions for that payroll period, the \$1,000 difference can be applied against income tax deductions in a future payroll period, even if that payroll remittance is in respect of remuneration paid after the end of the subsidy program (after June 20, 2020).

WILL THE SUBSIDY AFFECT DEDUCTIONS FROM EMPLOYEES?

All employers will continue to deduct income tax, Canada Pension Plan contributions and Employment Insurance premiums from salary, wages, bonuses or other remuneration paid to employees, with no effect to the employee's payroll deductions. The subsidy is only calculated when your remit these amounts to the CRA.

CHOOSING NOT TO REDUCE REMITTANCES

If an eligible employer chooses not to reduce payroll remittances during the year, they are to calculate the wage subsidy on remuneration paid between March 18, 2020 and June 20, 2020. A request may then be made to pay the subsidy at the end of the year or transfer the amount to the next year's remittance.

WHAT DOCUMENTS MUST BE RETAINED TO SUPPORT THE SUBSIDY

Employers must keep the following information to verify their subsidy calculation including:

- The total remuneration paid between March 18, 2020 and June 20, 2020.
- The federal, provincial or territorial income tax that was deducted from the remuneration.
- The number of employees paid in that period.

The CRA is currently updating reporting requirements, with more information on how to report this subsidy being released in the near future.

OTHER QUESTIONS

The wage subsidy is considered income to the employer, who must report the total amount in the year in which the subsidy is received.

If an employer's business does not pay salary, wages, bonuses or other remuneration to an employee between March 18, 2020 and June 20, 2020, no wage subsidy is available, even if it is an eligible employer.