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CANADA EMERGENCY WAGE SUBSIDY

JULY 17, 2020

On July 17th the Federal Government announced a proposal to extend and expand the criteria for the 75% wage subsidy (CEWS). On July 24th, 2020 the proposal received royal ascent. Eligible periods have been extended up to December 31, 2020 with several key changes to the calculation and baseline.

PRIOR PERIOD REFERENCE

The Prior Period Reference indicates the baseline period in which revenue decline in application periods are compared against. In periods past, the Prior Period Reference was determined for all periods in the first application made by the entity. This has since been updated and allows entities to change their Prior Period Reference once in period #5 for that and all future periods.

BASELINE WAGE REFERENCE

The baseline remuneration, or average weekly remuneration, was originally calculated as the average weekly remuneration paid to employees between the period January 1, 2020 to March 15, 2020. After four periods of feedback, the Federal Government has acknowledged the less than optimal results received by seasonal businesses whose employment expenses did not align with the initial baseline remuneration structure. With the extension of the program to December, the Federal Government has expanded the baseline wage options to allow entities to better benefit for cyclical wages. The table below outlines allowable remuneration date frames:

Applicable Claiming Period	Baseline Remuneration Periods
Before Period #4	• January 1, 2020 to March 15, 2020 • March 1, 2019 to May 31, 2019
Period #4	• January 1, 2020 to March 15, 2020 • March 1, 2019 to May 31, 2019 • March 1, 2019 to June 30, 2019
After period #4	• January 1, 2020 to March 15, 2020 • July 1, 2019 to December 31, 2019

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ELIGIBLE EMPLOYEE UPDATE

Prior to this announcement, an eligible employee would not qualify for the CEWS had they been unpaid by the entity for periods of 14 or more days. As the CERB program reaches its end, this qualification has been eliminated to allow more employers to have qualified employees for the CEWS. As of the fifth period (ending August 1st, 2020), this qualification no longer applies.

BASE SUBSIDY CALCULATION

Beginning in the fifth period, the wage subsidy is divided into two parts: the base subsidy and the top-up subsidy. The base subsidy is calculated as the maximum eligible wage of $1,129 per week multiplied by 0.4 to 1.2 (depending on the period) multiplied by the period's decline in revenue expressed as a percentage. The table below details each period's calculation and maximum benefits:

Timing	PERIOD 5* July 5 - Aug. 1	PERIOD 6* Aug. 2 - Aug. 29	PERIOD 7 Aug. 30 - Sept. 26	PERIOD 8 Sept. 27 - Oct. 24	PERIOD 9 Oct. 25 - Nov. 21
Maximum Weekly Benefit Per Employee	Up to $677	Up to $677	Up to $565	Up to $452	Up to $226
Revenue Drop					
50% And Over	60%	60%	50%	40%	20%
0% To 49%	1.2 revenue drop (e.g. 1.2 x 20% revenue drop = 24% base CEWS rate)	1.2 revenue drop (e.g. 1.2 x 20% revenue drop = 24% base CEWS rate)	1.0 revenue drop (e.g. 1.0 x 20% revenue drop = 20% base CEWS rate)	0.8 revenue drop (e.g. 0.8 x 20% revenue drop = 16% base CEWS rate)	0.4 revenue drop (e.g. 0.4 x 20% revenue drop = 8% base CEWS rate)

**In Periods 5 and 6, employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75% wage subsidy if they have a revenue decline of 30% or more. As described further below (see Safe harbour rule for Periods 5 and 6).*

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TOP-UP SUBSIDY CALCULATION

If an employer's decline in revenue is greater than 50% from the Prior Period Reference, there is an opportunity for the entity to receive an additional subsidy on top of the base amount previously described. The Top-Up is based on the decline in revenue as an average of the last 3 months prior to the application period and the top-up rate can go up to as high as 25% (a maximum of $283.00). The calculation is detailed in the table below:

3-month average revenue drop	Top-up CEWS rate	Top-up calculation = 1.25 x (3 month revenue drop - 50%)
70% and over	25%	1.25 x (70% - 50%) = 25%
65%	18.75%	1.25 x (65% - 50%) = 18.75%
60%	12.5%	1.25 x (60% - 50%) = 12.5%
55%	6.25%	1.25 x (55% - 50%) = 6.25%
50%	0.0%	1.25 x (50% - 50%) = 0.0%

The overall CEWS rate will equal to the top-up CEWS rate plus the base CEWS rate. Table 3 shows the combined base and top-up CEWS rates for Periods 5 to 9 for the most adversely affected employers.

SUBSIDY IN SUMMARY

The total subsidy is the sum of the top-up and the base subsidy and the application with this new methodology begins in Period #4 (ending August 1st, 2020).

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DEEMING RULE

The original Deeming Rule provided that if an entity qualified in one period, that they would also qualify for the following period. Given the new calculation, the Federal Government has altered the Deeming Rule to indicate that the revenue decline in one period may be utilized in the immediate subsequent period if it would give the entity a greater benefit.

SAFE HARBOUR RULE

The updated calculations are complex and require time to prepare; many businesses have planned their futures to align with the original subsidy calculations, and the Federal Government acknowledges this. As a result, periods five and six are "Transitional Periods" which are key factors to the Safe Harbour Rule. This rule indicates that for periods five and six, if the entity would have qualified for a greater benefit from the original calculation, then they may elect to use that method instead of the new method. Subsequent to period six, all entities must use the new method.