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THE CANADA EMERGENCY WAGE SUBSIDY (“CEWS”): WHAT EMPLOYEES SHOULD KNOW

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SUMMARY OF KEY PROVISIONS:

On April 11, 2020, the Government of Canada passed the *COVID-19 Emergency Response Act, No. 2*, which establishes the Canadian Emergency Wage Subsidy (“CEWS”), a program which will provide eligible employers who experience a loss of at least 15% of their revenue in March 2020, or 30% of their revenue in April and May 2020, with a 75% wage subsidy for a 12 week period retroactive to March 15, 2020.

If eligible, CEWS will provide an employer with up to a maximum of up to \$847 per week per employee for the entire 12 week period covered by the legislation (March 15, 2020 – June 6, 2020).

CEWS is intended to incentive Employers to recall employees who have been laid-off or terminated because a slow-down of business caused by COVID-19. Self-employed “contractors” should familiarize themselves with CEWS as they may be eligible to apply.

DETAILS

Who is eligible for CEWS?

Employers eligible for CEWS include:

- individuals;
- taxable corporations;
- partnerships consisting of eligible employers;
- non-profit organizations;
- specific unincorporated associations; and
- registered charities.

The Government can prescribe by Regulation other organizations who will qualify for CEWS in the future.

Unfortunately, public institutions are not eligible for CEWS. The legislation defines “public institutions” to include “a municipal or public body performing a function of government in Canada”. This means, for example, that most public transit agencies **will**

not qualify for CEWS, although private firms providing transit services are likely to qualify.

Eligible employers of any size or from any industry can qualify for CEWS, as long their gross revenues have dropped at least 15% in March, and 30% in April or May, 2020.

Amount of Subsidy

As mentioned, CEWS applies at rate of 75% of the first \$58,700 normally earned by employees – representing a **maximum benefit of up to \$847 per week per employee.** There is no cap on the number of employees for which an Employer can receive CEWS.

Eligible remuneration may include salary, wages and other remuneration, but does not include severance pay, retiring allowances, or items such as stock option benefits or the personal use of a corporate vehicle. Employers should consult with their accountant to determine the specifics of CEWS eligibility.

How is Revenue Loss Measured?

To measure gross revenue loss, eligible employers must compare their revenue during qualifying periods in March, April, May 2020 to the revenue they received in March 2019, April 2019, or May 2019 or to the average revenue they received in January or February 2020.

To start receiving CEWs, an eligible employer must complete an application form and attest that they meet the eligibility requirements set out in the legislation.

Enforcement

Employers will be required to repay amounts paid under CEWS if they do not meet the eligibility requirements and pay their employees accordingly. An Employer which engages in transactions that artificially reduce the Employer's revenue in order to qualify for CEWS can face a penalty of 25% the CEWS received.

Individuals, employers or business administrators who provide false or misleading information to obtain access to this benefit, or who misuse any funds obtained under CEWS, will also be subject to the pre-existing offence provisions in the *Income Tax Act*, which can result in a substantial fine or prison sentence of up to five years.

How to Apply

Eligible employers can apply through Canada Revenue Agency's My Business Account portal as well as a web-based application. The Government has indicated that more details regarding application process will be made available shortly.

Where to Find Details

A copy of Bill C-14 can be found [here](#).

The Government's news release on the Bill can be found [here](#).

More Questions?

As always, information sheets like this do not constitute legal advice. If you need more information, call your regular legal counsel.

If you have any more questions about this document, please don't hesitate to call or email any UPFH lawyer. We are not in the office, but we are still reachable on cell phones and email.

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