

Canada Emergency Wage Subsidy (CEWS) Factsheet

Last updated: April 14, 2020

On April 11, the Federal government passed Bill C-14 (www.parl.ca/DocumentViewer/en/43-1/bill/C-14/royal-assent), which amends the federal Income Tax Act and Financial Administration Act, paving way for the implementation of the Canada Emergency Wage Subsidy (CEWS). The CEWS covers 75% of eligible employees' earnings, up to a maximum benefit of \$847 a week for up to 12 weeks. Employees will be eligible for the CEWS whether or not they are actively working.

This factsheet provides relevant information that Unifor local union representatives as well as national staff may find useful in determining whether employers are eligible for the CEWS and in advocating against unnecessary lay-offs and wage cuts. The factsheet also provides some simple guidance on how the CEWS interacts with other federal emergency benefit measures, including the Canada Emergency Response Benefit (CERB).

Eligibility criteria and revenue calculation

All employers are eligible to apply for the CEWS except for **public institutions** (i.e. municipal authorities, non-taxable corporations, schools, school boards, health authorities, and public universities and colleges)..

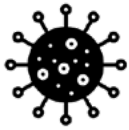
There are **three qualifying periods** for receiving the CEWS:

- Period 1: March 15 – April 11
- Period 2: April 12 – May 9
- Period 3: May 10 – June 6

In order to qualify, the eligible entity must show the following **revenue decline**:

- 15% or more for Period 1
- 30% or more for Period 2
- 30% or more for Period 3

Note: If an employer qualifies for a period, they automatically qualify for the next period. For example, a 20% revenue decline in Period 1 qualifies the employer for Periods 1 and 2. A 35% revenue decline in Period 2 qualifies the employer



for Periods 2 and 3.

To calculate the decline in revenue, employers have **two** options:

- Compare the revenue in the qualifying period with the following months from 2019:
 - March 2019 for Period 1;
 - April 2019 for Period 2;
 - May 2019 for Period 3; **or**
- Compare the revenue in the qualifying period with the average monthly revenue over January and February 2020.

Note: The amount of CEWS benefits received by an employer in a qualifying period is ignored for the purpose of

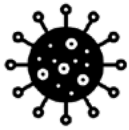
QUALIFYING PERIOD	CLAIMING PERIOD	REQUIRED REVENUE DECLINE	REFERENCE PERIOD FOR ELIGIBILITY
PERIOD 1	March 15 to April 11	15%	March 2020 over: <ul style="list-style-type: none"> ▪ March 2019 or ▪ Average of Jan and Feb 2020
PERIOD 2	April 12 to May 9	30%	Eligible for Period 1 or April 2020 over: <ul style="list-style-type: none"> ▪ April 2019 or ▪ Average of Jan and Feb 2020
PERIOD 3	May 10 to June 6	30%	Eligible for Period 2 or May 2020 over: <ul style="list-style-type: none"> ▪ May 2019 or ▪ Average of Jan and Feb 2020

Example: XYZ Inc. reported revenues of \$120,000 in March 2019. In March 2020, its revenues dropped to \$90,000. Because its revenues in March 2020 are 25% lower than \$120,000 (i.e. greater than 15%), XYZ Inc. would be eligible for the CEWS for Period 1 and Period 2.

To be eligible for Period 3, XYZ Inc. revenues would have to be \$84,000 or less (30% lower than \$120,000) for the month of April or May 2020 compared to April or May 2019.

Employee considerations

The CEWS will cover up to 75% of an employee’s **baseline remuneration**, capped at a maximum of \$847 a week. Baseline remuneration is calculated as average weekly earnings from January 1, 2020 until March 15, 2020, and includes fees, commissions or other amounts paid for services as well as taxable benefits.



Note: Employers are not required to top up wages to 100%, although the government states that they should make their best efforts to do so.

Employees are only eligible for the wage subsidy if they have **not** had 14 consecutive days or more **without pay** from the employer **in each qualifying period**. This suggests, for example, that an employer who stopped paying all of their employees from March 15 until March 28 would be ineligible for the CEWS for Period 1 but would be eligible for Period 2 if those employees received pay on or after April 12.

For employees who are currently receiving the **Canada Emergency Response Benefit (CERB)**, Finance Canada has stated that the Government is considering options to limit duplication of benefits, including “a process to allow individuals rehired by their employer during the same eligibility period to cancel their CERB claim and repay that amount.”

Employees **do not need to be actively working** in order to be eligible for the benefit. As long as they are employed and on payroll, they will be eligible for the CEWS. If CEWS-eligible employees are not actively working – i.e. they are on **paid leave** – the employer’s contributions to Employment Insurance (EI), Canada Pension Plan (CPP), Quebec Pension Plan (QPP) and Quebec Parental Insurance Plan (QPIP) will be refunded.

Interaction with other benefits

EI benefits received under the Work-Sharing program and benefits received under the 10% Temporary Wage Subsidy for small businesses will reduce the benefit that employers are entitled to receive under the CEWS for a particular qualifying period.

As stated above, CEWS-eligible employees who have been rehired and are currently receiving the CERB through EI or the Canada Revenue Agency (CRA) may have to pay back some of their CERB claim.

In some cases, employers may offer employees a choice between being employed (or rehired) so that they can be paid under the CEWS or being laid off so that they can receive the CERB, depending on which benefit pays more. Workers given this choice should be made aware of how the CERB works, including, for example, the fact that taxes are not deducted at the source and may lead to a tax liability next year. For more information, please consult our CERB FAQ (www.unifor.org/en/faq-new-canada-emergency-response-benefit-cerb).

Application process

Employers will apply for the CEWS through the CRA’s My Business Account (www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html) portal and will need to submit records showing their revenue decline and employees on payroll.

Detailed instructions for the application process are forthcoming.