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## Federal Government COVID-19 Payroll Supports

**Authors:** [Elizabeth M. Brown](#), [Lisa J. Mills](#), [Terra L. Klinck](#), [John Prezioso](#), [Cary K. Wong](#), [Jennifer Agnew](#), [Nicolas J. Guadagnolo](#) and [Jason R. Paquette](#)

This Sidebar summarizes the key federal government payroll support programs announced in response to the COVID-19 pandemic as well as changes to existing programs, namely:

- Canada Emergency Wage Subsidy
- Canada Emergency Response Benefit
- 10% temporary wage subsidy (TWS) for eligible small businesses
- EI Work-Sharing Agreements for COVID-19
- Canada Summer Jobs Program
- Temporary Wage Top-up for Essential Workers

Full details regarding the federal government's COVID-19 Economic Response Plan are available [here](#).

### Important Notice:

An employer's ability to access payroll supports engages various considerations, including: the impact of COVID-19 on an employer's business, existing workforce adjustment and income support programs, the legal structure of the employer's operations, and overarching employment and labour law considerations. As such, the extent to which an employer may benefit from accessing these programs requires individualized consideration in consultation with legal, accounting and tax advisors, as appropriate.

The information in this Sidebar has been compiled based on enacted legislation as well as government-issued backgrounders, speeches, and other public information and is



current to the date and time indicated at the outset of this document. Details continue to emerge as the government fine tunes the programs and as the legislation and regulations that formally implement the programs receive formal approval. Caution should be exercised, as such developments may alter the information summarized here.

This Sidebar will be updated frequently. Please continue to check [here](#) for updated versions. It may be necessary to clear your browser's cache to retrieve the latest version.

### **Canada Emergency Wage Subsidy**

The Canada Emergency Wage Subsidy (CEWS) was enacted through amendments to the *Income Tax Act* (ITA) that became law on April 11, 2020. Applicable retroactively from March 15, 2020, the CEWS is a broad-based federal wage subsidy intended to encourage businesses across Canada to keep workers on payroll, and re-hire those who have been laid off. The CEWS encourages eligible employers to continue to pay employees during the COVID-19 pandemic even if the employer does not have the work available to justify retaining its employees on payroll. CEWS is designed to minimize lay-offs and allow early recalls (including the option to retroactively pay employees who were previously laid off) by subsidizing eligible employers' payroll costs. The CEWS website can be accessed [here](#).

#### ***What types of employers are eligible for the CEWS?***

##### **Eligible:**

- Individuals
- Taxable corporations
- Non-profit organizations and registered charities
- Partnerships consisting of eligible employers

*provided that the employer had a CRA business number for payroll remittances as of March 15, 2020 and experiences the required drop in revenue (see below)*

##### **Not Eligible:**

- **All** public bodies, **including:**
  - Municipalities, local governments and their subsidiary corporations
  - Crown corporations
  - Public universities
  - Colleges
  - Schools and school boards
  - Hospitals and health authorities

#### ***What timeframe is covered by the CEWS?***

- So long as an eligible employer has experienced the required decline in monthly revenue in a particular CEWS claim period (see below), the subsidy will cover



eligible remuneration (see below) paid to an employee in respect of that CEWS claim period, as follows:

<b>CEWS Claim Periods</b>	<b>Dates</b>
<b>Period 1:</b>	March 15 – April 11, 2020
<b>Period 2:</b>	April 12 – May 9, 2020
<b>Period 3:</b>	May 10 – June 6, 2020

The federal government recently announced its intention to extend the CEWS beyond June 6, 2020. Further details are expected on additional claim periods in the coming days.

### ***How does an employer calculate its decline in revenue?***

<b>CEWS Claim Period</b>	<b>Minimum Required Revenue Reduction</b>	<b>Compare Employer Revenue Over These Reference Periods:</b>
<b>Period 1:</b> (March 15 – April 11)	15%	March 2020 as compared to: <ul style="list-style-type: none"><li>• March 2019 <b>or*</b></li><li>• Average of January and February 2020</li></ul>
<b>Period 2:</b> (April 12 – May 9)	30%	April 2020 as compared to: <ul style="list-style-type: none"><li>• April 2019 <b>or*</b></li><li>• Average of January and February 2020</li></ul> <b>or<sup>‡</sup> Qualified for <b>Period 1</b></b>
<b>Period 3:</b> (May 10 – June 6)	30%	May 2020 as compared to: <ul style="list-style-type: none"><li>• May 2019 <b>or*</b></li><li>• Average of January and February 2020</li></ul> <b>or<sup>‡</sup> Qualified for <b>Period 2</b></b>

\* Eligible employers may choose to measure the decline in revenue either on a year-over-year basis, or against the employer's average revenue for January and February 2020. Once an employer elects its comparison method, that method must be used for all future CEWS applications.

‡ To provide employers with certainty that they will qualify for CEWS before paying their employees, an employer who qualifies for the CEWS based on its reduced revenue in one claim period is deemed to qualify for the next claim period.



- To be eligible for the subsidy in a particular CEWS claim period, generally an eligible employer's revenue must have dropped at least 15% in Period 1, and at least 30% in Periods 2 and 3.
- Revenue is based on business carried on in Canada and earned from arm's-length sources. Where an employer normally uses the accrual method of accounting, it can elect to use that same method to determine its qualifying revenue for CEWS purposes, or it may instead elect to use the cash method for that purpose, but not a combination of both. Once an election is made, that same method must be used for all future CEWS applications. Employers who regularly use the cash method of accounting must use that same method to determine qualifying revenue for CEWS purposes.
- Revenue earned from extraordinary items and amounts on account of capital are excluded.
- Revenue is measured at the eligible employer level, rather than at the operating division level. However, if all members of a group of affiliated entities that normally prepare consolidated financial statements agree, the entities can elect to measure their revenue separately or on a consolidated basis. Affiliated eligible employers that do **not** normally report on a consolidated basis may elect to do so for CEWS eligibility purposes by joint election.
- Employers in the not-for-profit and charitable sectors must include all amounts received in the course of ordinary activities when determining their revenue. These employers will be able to elect whether to exclude revenue from government sources when calculating their revenue. Once an employer makes such election, it will apply to all future CEWS applications.
- Special rules for calculating revenue apply in respect of certain joint ventures and partnerships with non-arm's length revenue.

#### ***What is the base amount of the CEWS?***

- **For existing employees (i.e., those hired before March 15, 2020)**, an eligible employer is eligible for a subsidy equal to the **greater of A and B**, where:



- A** is: 75% of the amount of remuneration **actually** paid to the employee in the CEWS claim period, up to a maximum subsidy of \$847 per week
- B** is: The amount of remuneration **actually** paid to the employee in the CEWS claim period, up to a maximum subsidy of \$847 per week **or** 75% of the employee's **pre-crisis** weekly remuneration, whichever is less

In effect, an eligible employer may be eligible for a subsidy of up to 100% of the first 75% of pre-crisis weekly remuneration. **See the Appendix for example calculations.**

- **For new employees**, an eligible employer is eligible for a subsidy of up to 75% of eligible weekly remuneration actually paid, subject to a maximum weekly subsidy of \$847 per employee.
- Pre-crisis weekly remuneration for a given employee is the average weekly remuneration paid between January 1 and March 15, 2020 excluding any seven-day periods for which the employee received no remuneration.
- There is no limit on the amount of the CEWS that an employer can receive.
- The base amount of the CEWS is reduced by the 10% temporary wage subsidy for small businesses and by EI work-sharing benefits of eligible employees. The base amount is increased by the employer-portions of EI and CPP remittances for employees on paid leaves of absence. These adjustments are all explained below.

### ***Who is an eligible employee?***

- The subsidy is available in respect of existing, rehired and new employees employed in Canada.
- Employers can receive the CEWS on a retroactive basis for employees who have been laid off, provided that those employees are rehired and paid for the claim period prior to the employer submitting its CEWS application.
- Special rules limit the amount of the CEWS payable in respect of non-arm's length employees, including a requirement that the employee be on payroll prior to March 15, 2020.



- For a particular CEWS claim period, an eligible employee of an eligible employer must have been paid remuneration from that employer for 14 or more consecutive days in that claim period (i.e., March 15 – April 11; April 12 – May 9; May 10 – June 6).<sup>1</sup>

#### ***What is considered eligible remuneration?***

- Eligible remuneration includes salary, wages, fees and commissions, as well as most taxable benefits that are subject to withholding tax.
- Some items are excluded, including retiring allowances, stock option benefits, any loans or advances made by an employer to an employee, and temporary increases to an employee's remuneration made for the main purpose of increasing the value of the subsidy.

#### ***How can an employer apply for the CEWS?***

- Employers and their representatives are able to apply for the CEWS through the CRA website before October 2020. A separate online application form is also available.
- Prior to applying for the CEWS, employers that wish to estimate the amount of subsidy they may receive can do so by using the CRA's calculator tool, found [here](#).
- When applying, the individual who has principal responsibility for the financial activities of the employer will be required to attest that the application meets the qualification requirements in all material aspects. Employers will be responsible for keeping records of how they determined the decline in revenue and the remuneration paid to employees for audit at a later date. Employers found to have been ineligible for the CEWS will be required to repay amounts received in relation to which eligibility requirements were not, in fact, met. In addition, where an employer is found to have participated in a plan with a view to reducing its qualifying revenues in order to qualify for the CEWS, the employer will be liable for a penalty equal to 25% of the amount of wage subsidy claimed. Higher penalties may apply in cases of gross negligence. Fines or imprisonment may apply where a claim for the CEWS is made fraudulently.

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<sup>1</sup> This replaces the previously announced rule that employers would not be able to claim the CEWS for remuneration paid to an employee in a week that falls within a 4-week period for which an employee is eligible to receive the Canada Emergency Response Benefit (CERB).



### ***How does the CEWS affect social security contributions (CPP/QPP, EI, QPIP)?***

- Employers are required to continue to deduct employee Canada Pension Plan (CPP)/Québec Pension Plan (QPP) contributions, Employment Insurance (EI) premiums and Québec Parental Insurance Plan (QPIP) premiums, as applicable, from an employee's remuneration, and to remit these amounts to the applicable tax authority, together with the corresponding employer contributions and premiums. This is so, even where an employee is receiving employment income but is not expected to report to work (i.e., on paid leave).
- To encourage employers to use the CEWS to fund payments to their employees, employers will also be refunded 100% of employer-paid contributions to CPP/QPP, EI and QPIP in respect of each whole week an employee is on a leave with pay and for which the employer is eligible to claim the CEWS for the employee. The refund does not apply to employees working for any portion of a week, only to those on paid leaves.
- This refund will not be subject to the weekly maximum per employee subsidy (\$847), and there is no overall limit that an eligible employer may claim.
- The refund is requested as part of the employer's CEWS application.

### ***How might paid leaves and pay reductions affect employees' pension and benefits entitlements?***

- Fully or partially paid leaves, such as those employers are encouraged to provide using the CEWS, raise a number of questions from a pension and benefits perspective. For example:
  1. For defined contribution registered pension plans (RPPs) and group RRSPs, consideration should be given to whether payments during the period of leave are "earnings" on which the employer and employee may be required to contribute.
  2. In the context of defined benefit RPPs, paid leaves may or may not be pensionable under the plan terms (and, where they are, service credit may be full or partial). Where paid leaves are pensionable, full or partial earnings may be used for benefit calculation purposes (again, depending on the plan terms).
- In relation to group benefits, employers should consider how a reduction in pay may impact life insurance where the death benefit is a multiple of salary. Employers should also consider whether extended health, sickness and



disability plans remain available during a leave of absence and the level of benefits a sickness or disability plan will provide if an employee becomes sick or disabled while on a full or partially paid leave.

- These considerations must be addressed in accordance with the applicable plan text, policies or contracts, applicable provincial and federal legislation, including the ITA, and the common law. For example, leaves of absence that qualify as declared emergency or infectious disease related leaves under employment standards legislation may be treated differently to other leaves of absence.
- Further considerations regarding pension plans stemming from COVID-19 are outlined in our companion Sidebar, found [here](#).

#### ***How and when will the CEWS be paid to eligible employers?***

- The CEWS will be paid by cheque or direct deposit.
- CEWS funds are being distributed to employers shortly after they apply.

#### ***How will the CEWS interact with the 10% temporary wage subsidy for eligible small businesses?***

- The CEWS exists in addition to the 10% temporary wage subsidy (TWS)<sup>2</sup> for eligible small businesses (including CCPCs with taxable capital of less than \$15M in Canada, individuals, partnerships, charities, etc.)
- Employers qualifying for both subsidies can receive both, but the amount an employer claims under the CEWS in a given period will be reduced by the amount claimed on account of the TWS in that period.
- There is no requirement to establish a reduction in revenue for an eligible employer to claim the TWS.
- Details regarding the TWS for small businesses are available [here](#).

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<sup>2</sup> The TWS is equal to 10% of remuneration paid during the three month period from March 18, 2020 to June 19, 2020, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Small businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration.



### ***How will the CEWS interact with the Employment Insurance (EI) Work-Sharing Program?***

- EI benefits received by employees through the EI Work-Sharing program will reduce the subsidy that their employer will receive under the CEWS.

### ***What are some other considerations regarding the CEWS?***

- The CEWS will represent taxable income to eligible employers, but CEWS payments received will not be included in revenue when determining eligibility to receive the subsidy.
- The government may add claim periods, extend the categories of eligible employers, to add more claim periods, and vary the amount of revenue reduction required to qualify for the CEWS for claim periods after Period 3 by regulation.
- For tax reporting purposes, employers will be expected to report the eligible remuneration paid to each employee in respect of the claim periods using new codes in the “Other Information” area at the bottom of employees’ T4 slips. More information on these reporting obligations is expected by the end of 2020.
- The government is entitled to publish the names of any employers that apply for the CEWS.
- To limit duplication of wages and CERB payments, the government has developed a process to allow employees who claimed CERB benefits but were ultimately paid, or who know that they will be paid, by their employer for the CERB eligibility period to cancel their CERB claim and repay the benefit. More information can be found [here](#).
- Nothing in the CEWS legislation limits employers from claiming CEWS and paying employees directly for some of its workforce and laying-off or participating in other federal programs (for example, the CERB program) for other employee groups.

### **Canada Emergency Response Benefit**

In some circumstances, it may be necessary for an employer to lay-off or terminate the employment of an employee, or disengage the services of a contract worker. Employers might have also significantly reduced their employees’ hours, or be unable to take on seasonal workers.



In these circumstances, the affected individual may be eligible to apply for the Canada Emergency Response Benefit<sup>3</sup> (CERB), select features of which are summarized below. Additional details are available [here](#).

### ***Who is eligible to claim the CERB?***

The CERB is available to workers:

- residing in Canada, who are at least 15 years old;
- who have stopped working because of reasons related to COVID-19 **or** have stopped working and are eligible for Employment Insurance (EI) regular or sickness benefits **or** have exhausted their EI regular or fishing benefits between December 29, 2019 and October 3, 2020<sup>4</sup>;
- who had income of at least \$5,000 in 2019 or in the 12 months prior to the date of their CERB application;
- who,
  - when applying for the first time, do not have more than \$1,000 in income for 14 or more consecutive days within the initial 4-week claim period; and
  - when making subsequent claims, do not earn more than \$1,000 in income within the entire subsequent 4-week claim period

**Note:** CERB paid through Service Canada is administered in bi-weekly claim periods, so workers must not have more than \$500 in income for 7 or more consecutive days within the initial claim period, and not earn more than \$500 in income within the subsequent claim period for that month.

The requirement to have earned income of at least \$5,000 may be met using any combination of the following sources: employment income; self-employment income; EI

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<sup>3</sup> We use the term “CERB” in this publication to refer to both the \$500/week “Canada Emergency Response Benefit” payable under the *Canada Emergency Response Benefit Act* (which is administered by the Canada Revenue Agency) and the \$500/week “Employment Insurance Emergency Response Benefit” payable under the *Employment Insurance Act* (which is administered by Service Canada).

<sup>4</sup> Workers who have ceased working for reasons related to COVID-19 may qualify for Canada Emergency Response Benefit or the Employment Insurance Emergency Response Benefit. Those who have stopped working for other reasons or had been receiving EI regular benefits but reach the end of their claim period between December 29, 2019 and October 3, 2020, will qualify for the Employment Insurance Emergency Response Benefit.



maternity and parental benefits or similar benefits paid in Quebec under the Quebec Parental Insurance Plan.

Individuals eligible for maternity, parental and caregiving EI benefits will continue to be eligible for EI and will not qualify for the CERB while eligible for these special types of EI benefits. Employees who quit their employment voluntarily are **not** eligible for the CERB.

***For what period is the CERB in effect?***

- The CERB is payable for up to four 4-week periods, or eight 2-week periods, between March 15, 2020 and October 3, 2020.
- The CERB does not have to be taken in consecutive periods, but cannot exceed the maximum 16 weeks of benefits within the March 15 through October 3, 2020 eligibility period.

***How much does the CERB pay?***

- Unlike regular or special EI benefits, the CERB is not income-tested. The same \$500 weekly benefit is paid regardless of an employee's part-time/full-time status or level of earnings (\$2,000 per 4-week period for a maximum of 16 weeks).

***How can a worker apply for the CERB?***

- Depending on their employment status, workers can apply for the CERB through either the Canada Revenue Agency or Service Canada. Most employees should apply through Service Canada. Details regarding the CERB application are available [here](#) (CRA) and [here](#) (Service Canada). Applications started to be accepted on April 6 and payments are typically made within 3-10 days after the worker's application date.

***What type of income can a worker earn while still qualifying for the CERB?***

- The \$1,000 that workers are allowed to earn while still qualifying for the CERB includes both employment and self-employment income, certain types of dividends, royalties, etc., on a pre-tax basis. It does not include EI maternity and parental benefits or similar benefits paid in Quebec under the Quebec Parental Insurance Plan. The government has indicated that it will check employees' claims against their tax records to verify eligibility.



### ***Can an employer top-up CERB payments?***

- For years, some employers have used Supplemental Unemployment Benefit (SUB) plans to top-up Employment Insurance (EI) regular or sickness benefits. An EI SUB plan cannot be used to supplement CERB payments for employees who have been laid-off. It appears that there are no plans to permit CERB top-up arrangements. Individuals collecting the CERB can earn up to \$1000 in employment/self-employment income per 4-week CERB eligibility period. Receipt of employment/self-employment income beyond \$1000 would result in the employee having to repay the entire CERB benefit for that 4-week period. SUB plans are permitted to be used for employees currently in receipt of EI (regular or sickness) and those who qualify for EI (regular or sickness) later this year after CERB payments have come to an end.

### ***How does CERB interact with EI, Work-Sharing Agreements, CEWS and TWS?***

- Workers already in receipt of, or eligible for, EI regular or EI sickness benefits prior to March 15, 2020 will receive EI benefits in accordance with pre-existing rules, and will be eligible for the CERB if those benefits end prior to October 3, 2020 and they are unable to return to work due to COVID-19.
- Workers who became entitled to EI regular or EI sickness benefits on or after March 15, 2020 will be rolled into the CERB program and, if necessary, can qualify for those types of EI benefits at a later date if they remain out of work after the 16-week period covered by the CERB.
- For workers eligible for special EI benefits, such as maternity or parental benefits, EI benefits will continue to apply as usual. This group of workers will be eligible to apply for the CERB if they cannot return to work for reasons related to COVID-19 at the end of their leave.
- Even though the CERB program is distinct from EI regular benefits, an employer's obligation to issue a Record of Employment for EI purposes remains, where applicable.
- If an employer has reached a work-sharing agreement with employees/unions and Service Canada, Service Canada has directed that those employees should apply for EI benefits, rather than the CERB.
- Individuals who received the CERB but who know that they will be required to repay the benefit (for example, because they started to receive compensation from their employer again) can return their CERB benefits by following the steps outlined [here](#).



## **EI Work-Sharing Agreements for COVID-19**

Work-sharing agreements are a means to minimize temporary lay-offs or terminations of employment for eligible employers affected by a temporary decrease in business activities due external factors (including COVID-19) by “sharing” the available work and supplementing employees’ income through EI work-sharing benefits. A work-sharing agreement requires the agreement of the employer, employees (or union where applicable) and Service Canada. The description below is specific to work-sharing agreements related to COVID-19 based on [this](#) government announcement.

### ***What types of employers are eligible for COVID-19 Work-Sharing Agreements?***

#### **Eligible:**

- Private businesses
- Publicly held corporations
- Government business enterprises (such as lottery and gaming corporations, public universities and colleges and public transit groups)
- Non-profit organizations

*provided that the employer experiences a drop in revenue of 10% or more and has been in operation for at least one year*

#### **Not Eligible:**

- Public bodies that are not Government business enterprises, **including:**
  - Municipalities and local governments
  - Crown corporations
  - Schools

### ***What types of employees are eligible for COVID-19 Work-Sharing Agreements?***

- Eligible employees are generally limited to permanent staff.
- The federal government has lifted restrictions that might otherwise have prevented certain employees from participating as part of a work-sharing unit, namely: sales representatives and other staff essential to the recovery of the business (e.g. inside and outside sales, technical employees engaged in product development, executive marketing and sales agents, senior management, and shareholders who have a role in recovery and/or who are investors).



### ***How is work required to be shared under a COVID-19 Work-Sharing Agreement?***

- The work-sharing application must establish work-sharing units (which can be as small as 2 employees).
- Employees in a work-sharing unit must have similar job duties.
- Employers can establish one or more work-sharing units.
- Employees who are part of a work sharing unit **equally** reduce their hours of work, and are paid for the lower level of work by the employer.
- The requirement to equally reduce hours of work supersedes seniority-based lay-off provisions in collective agreements.
- Work reductions must be between 10% and 60% (i.e., at least a ½ day per week up to 3 days per week).

### ***How can an employer apply for a COVID-19 Work-Sharing Agreement?***

- Applications are required to be made 10 days in advance of the intended start date of the work-sharing agreement.
- Ontario-based employers must submit [this application](#) and [this document](#) providing the agreement of work-sharing unit employees to: [ESDC.ON.WS-TP.ON.EDSC@servicecanada.gc.ca](mailto:ESDC.ON.WS-TP.ON.EDSC@servicecanada.gc.ca).
- The normal requirements for including sales/production figures and a full recovery plan in a work-sharing application are waived.

### ***What are some other considerations regarding a COVID-19 Work-Sharing Agreement?***

- Earnings from employment outside of the work-sharing agreement would be treated like regular wages such that work-sharing EI benefits would be clawed back from the employee at the rate of 50¢/dollar earned.
- Repayment of EI benefits for those with income in 2020 over \$67,750 and who have claimed EI benefits in the last 10 years applies in the same way as for regular EI benefits.



- Generally, other employee benefits (extended health and disability plans, pension plans) must remain intact during a work-sharing agreement but need only cover the employee's actual pay for work performed for the employer.
- The federal government has indicated that EI benefits received by employees under a work-sharing arrangement will reduce the CEWS available to an employer.

### **Canada Summer Jobs Program**

The Canada Summer Jobs program ("CSJP") provides opportunities for youth to develop their skills by providing wage subsidies to eligible participating employers in the not-for-profit, small business, and public sectors.

As a result of COVID-19, changes are proposed to the CSJP to extend the program and make it more flexible. More information can be found [here](#).

### **Temporary Wage Top-up for Low-Income Essential Workers**

The federal government recently reached a cost-sharing agreement with all of the provinces to top-up wages of lower-paid essential workers to at least \$2,500 per month. Under the agreement, each province is able to determine which workers are eligible for the additional pay, how much pay each may receive, and how it will be delivered. We will continue to monitor how this program might impact other payroll supports, including the CEWS, TWS and work-sharing agreements. More information on the temporary wage top-up for low-income essential workers can be found [here](#).

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If you have any questions regarding this update, please do not hesitate to call a sidebar with any of us – we're here to help.



Elizabeth M. Brown  
416-922-0678  
[elizabeth.brown@bmkplaw.com](mailto:elizabeth.brown@bmkplaw.com)

Terra L. Klinck  
416-922-1106  
[terra.klinck@bmkplaw.com](mailto:terra.klinck@bmkplaw.com)

Cary K. Wong  
416-922-4683  
[cary.wong@bmkplaw.com](mailto:cary.wong@bmkplaw.com)

Nicolas J. Guadagnolo  
416-922-8348  
[nicolas.guadagnolo@bmkplaw.com](mailto:nicolas.guadagnolo@bmkplaw.com)

Lisa J. Mills  
613-369-5477 | 416-922-9865  
[lisa.mills@bmkplaw.com](mailto:lisa.mills@bmkplaw.com)

John Prezioso  
416-922-6697  
[john.prezioso@bmkplaw.com](mailto:john.prezioso@bmkplaw.com)

Jennifer Agnew  
416-504-4128  
[jennifer.agnew@bmkplaw.com](mailto:jennifer.agnew@bmkplaw.com)

Jason R. Paquette  
416-922-9084  
[jason.paquette@bmkplaw.com](mailto:jason.paquette@bmkplaw.com)

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## **APPENDIX**

### **Example CEWS<sup>5</sup> Calculations (Employees Hired Prior to March 15, 2020)**

*For Illustrative Purposes Only – Other Situations are Possible*

The weekly subsidy for the employee is equal to the **greater of** A and B, where:

- A is:** 75% of the amount of remuneration **actually** paid to the employee in the CEWS claim period, up to a maximum weekly subsidy (MWS) of \$847
- B is:** The amount of remuneration **actually** paid to the employee in the CEWS claim period, up to the \$847 MWS (“B1”) **or** 75% of the employee’s **pre-crisis** weekly remuneration (“B2”), whichever is less

#### **Example 1: No change to employee’s pre-crisis weekly remuneration; employee pre-crisis earnings exceed the \$847 maximum weekly subsidy**

Before the COVID-19 pandemic, Robert’s employer, Acme Inc., paid him an annual salary of \$78,000 (\$1,500/week). Acme made no changes to Robert’s remuneration as a result of COVID-19’s effects on its business. Acme paid Robert \$1,500 for the week of March 15 – 21, 2020.

**For the week of March 15 – 21, 2020, Acme is eligible to claim \$847 in relation to Robert (i.e., the greater of A and B, where A and B both equal \$847).**

**A =** \$847

75% x \$1,500 = \$1,125 (\$1,125 > \$847 MWS)

**B =** \$847, which is the lesser of B1 and B2

**B1** is \$847 (100% x \$1,500; \$1,500 > \$847 MWS)

**B2** is \$1,125 (75% x \$1,500)

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<sup>5</sup> Excludes the refund of employer social security contributions for employees on paid leaves.



**Example 2: No change to employee's pre-crisis weekly remuneration; employee pre-crisis earnings are less than the \$847 maximum weekly subsidy**

Before the COVID-19 pandemic, Nancy worked 40 hours per week for Speedy Courier at \$20/hour (\$800/week). Speedy made no changes to Nancy's hours or pay as a result of COVID-19's effects on its business. Speedy paid Nancy \$800 for the week of March 22 – 28, 2020.

**For the week of March 22 – 28, 2020, Speedy is eligible to claim \$600 in relation to Nancy (i.e., the greater of A and B, where A and B are both equal to \$600).**

**A =** \$600

$75\% \times \$800 = \$600$  ( $\$600 < \$847$  MWS)

**B =** \$600, which is the lesser of B1 and B2

**B1** is \$800 ( $100\% \times \$800$ ;  $\$800 < \$847$  MWS)

**B2** is \$600 ( $75\% \times \$800$ )



**Example 3: Employer reduces employee's pre-crisis weekly remuneration by 10%; employee pre-crisis earnings are higher than the \$847 maximum weekly subsidy**

Before the COVID-19 pandemic, Hamid's employer, ProTek Solutions, paid him an annual salary of \$60,000 (\$1153.85/week). As a result of COVID-19's impact, ProTek reduced the pay of all non-union employees by 10% across-the-board. As a result, for the week of April 5 – 11, 2020, ProTek will pay Hamid \$1038.47 rather than his usual \$1153.85.

**For the week of April 5 – 11, 2020, ProTek is eligible to claim \$847 in relation to Hamid (i.e., the greater of A and B).**

**A =** \$778.85

$75\% \times \$1038.47 = \$778.85$  ( $\$778.85 < \$847$  MWS)

**B =** \$847, which is the lesser of B1 and B2

**B1** is \$847 ( $100\% \times \$1038.47$ ;  $\$1038.47 > \$847$  MWS)

**B2** is \$865.39 ( $75\% \times \$1153.85$ )



**Example 4: Employee's pre-crisis wages fall by 25%; employee pre-crisis earnings are less than the \$847 maximum weekly subsidy**

Before the COVID-19 pandemic, Millie worked 40 hours at Stay-Puft Packing Solutions (five 8-hour shifts) at \$15/hour. As a result of a slowdown of operations related to COVID-19, Millie will only work four 7.5-hour shifts per week rather than her usual five 8-hour shifts. As a result, for the week of April 5 – 11, 2020, Millie's pay from Stay-Puft will be \$450 rather than her usual \$600.

**For the week of April 5 – 11, 2020, Stay-Puft is eligible to claim \$450 in relation to Millie (i.e., the greater of A and B).**

**A =** \$337.50

$75\% \times \$450 = \$337.50$  ( $\$337.50 < \$847$  MWS)

**B =** \$450, as B1 and B2 are equal

**B1** is \$450 ( $100\% \times \$450$ ,  $\$450 < \$847$  MWS)

**B2** is \$450 ( $75\% \times \$600$ )



**Example 5: Employer increases pre-crisis wages by 20%; post-increase wages are less than the \$847 maximum weekly subsidy**

Before the COVID-19 pandemic, Raoul worked 40 hours at Sunnydale Grocery (five 8-hour shifts) at \$15/hour. As compensation for working during the pandemic, Sunnydale granted its entire hourly workforce a temporary \$3/hour pay increase. As a result, for the week of April 12 – 18, 2020, Raoul’s pay from Sunnydale will be \$720 rather than his usual \$600.

**For the week of April 12 – 18, 2020, Sunnydale is eligible to claim \$540 in relation to Raoul (i.e., the greater of A and B).**

**A =** \$540

$75\% \times \$720 = \$540$  ( $\$540 < \$847$  MWS)

**B =** \$450, which is the lesser of B1 and B2

**B1** is \$720 ( $100\% \times \$720$ ;  $\$720 < \$847$  MWS)

**B2** is \$450 ( $75\% \times \$600$ )

**Note:** The legislation contains provisions that prevent a CEWS subsidy on temporarily increased wages if the main purpose of the increase in wages is to increase the amount of the CEWS subsidy. Legitimate wage increases that are motivated by a desire to reflect the value to an employer of an employee working during COVID-19 or the risks associated with working during COVID-19, are expected to qualify for the subsidy.