

August 21, 2020

The Government of Canada [recently implemented changes](#) to [adapt the Canada Emergency Wage Subsidy to protect jobs and promote growth](#).

Resources can be found on CRA's [Canada Emergency Wage Subsidy Web page](#), including the [Frequently asked questions - Canada Emergency Wage Subsidy](#) and the [CRA's Canada Emergency Wage Subsidy Calculator](#).

The CRA also encourages employers who haven't already done so to sign up for [My Business Account](#) or [Represent a Client](#), as well as for [Direct deposit](#). Please also refer to [Protect yourself against fraud](#), if you have any concerns.

Please visit CRA's [Canada Emergency Wage Subsidy Web page](#) for updates.

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Note: Post payments audits will start in late August and helping employers correct errors and to make sure employers receive what they are eligible to be paid.

Questions & Answers

Q. When vacation pay is being accrued for each employee and NOT being paid out on each pay cheque (rather, it is paid out when employees request it), can these accrued amounts be included as part of eligible remuneration.

A. No, the eligible remuneration can only include amounts paid to the employee. More information, whether sick pay, holiday pay, etc. – you can refer to question 17-3 in the FAQ on the website.

Q. The employer qualified for both Jun and Jul, because revenue drops that slightly exceeded 30% in each month. The employer will have very high revenues in Aug. Would Aug still qualify, on the basis that July qualified on its own merits?

A. Generally yes, if there is a decrease in revenue in the preceding period, if periods 1-4 you had to have a decreased in revenue. In periods 5-6 you have the safe harbor rule, so if in periods 3-4 you had a revenue drop and in period 5 you didn't have a revenue 5, you can still be eligible. There are many variations on how these rules work, so make sure to look at the website and examples of how the deeming rules and safe harbor rules work and how they are related to periods 1-4 and 5-9.

Q. Will we need to report the subsidy amount received by person on the T4s using a box? Will there be a separate box for the 10% reduction as well as CEWS on each slip or on the summary page?

A. There are a few precisions to add – the wage subsidy is received by an eligible employer. When it comes to T4 the employer must report the amount of wages paid to an employee. When it comes to additional questions about whether during that period the employer was also receiving CEWS, more information will be coming on that in the coming weeks.

Q. If I qualify for Period 4 do I automatically qualify for Period 5?

A. Your revenue drop for period 5 can be deemed what it was for period 4 even if you didn't have that revenue drop in period 5, but please refer to the examples on the website. If a comp

Q. We need to hire an employee and former employees are not available...it will be a new hire with no data for the baseline...is this employee considered eligible and if so, how do you determine baseline...

A. The wage subsidy does factor in that you can hire a new employee and even if that employee doesn't have a baseline remuneration, they can still qualify. If you don't have a baseline, you can put in zero for that baseline remuneration.

Q. Does incentive bonus payment to the employees qualify for CEWS?

A. Yes, however that bonus does need to be paid, so you have to determine which bonus was earned in that claim period, so you can't receive the subsidy until the bonus is paid.

Q. Are all the companies eligible to claim for the period 5 & 6, even if they are not qualified for the period 1 to 4?

A. Yes

Q. If I elected to use the Jan/Feb alternative method for Periods 1-4, but not for 5-9, how do I calculate the safe harbour % decline for a P5 application? Do I look at P4's decline on the alternative method, or not?

A. The Safe Harbour rule is in 5.04 of their frequently asked questions.

Q. Does qualifying revenue include inflows reported outside the GAAP revenue: interest recovery, realized and unrealized hedging gains, government grants, realized and unrealized FX, and incidental income. If yes, would losses (on hedging and foreign exchange) reduce "qualifying revenues"?

A. The way revenue is calculated is based on the employers accounting process i.e. GAAP. Whether all of these amounts qualify and calculate is going to be a question of the accounting processes they use.

Q. Do lump sum vacation payments (upon termination) qualify as eligible earnings?

A. No, lump sum vacation payments upon termination do not qualify. They do have information on what qualifies in their FAQs on their website.

Q. If you qualify for Periods 5 & 6 using the Safe Harbour rule, do you have to use the same revenue base line (e.g. Jan+Feb) for the following periods, or can you switch to say a year over year revenue baseline for Period 7 and beyond?

A. With the addition of periods 5-9, you can choose to follow the year over year or alternative and it doesn't have to be the same as 1-4, but once you make the choice for 5-9 on method, you do have to follow that same method through periods 5-9.

Q. For periods 7 and later, the calculation of subsidy for employees on leave with pay will be determined by a regulation. This regulation will be released in the future. Do you have the amount? I have 2164 Ees on Leave of Absence CEWS and need to know if we will continue with CEWS starting August 30.

A. You are correct, for periods 7-9 there is an amount that will be determined by regulation for employees who are furloughed and there is info on the website about what qualifies for a furloughed employee.

That amount is still yet to be set by regulation, so that can help employers who need that for planning purposes. When they came out with the initial announcement it did indicate that it would align with the CERB amount, but that remains to be seen.

Q. The CRA spreadsheet calculator for period 5 calculate the subsidy for non-arms length employee based on the current wage which is higher than the base line, is this correct as for previous periods it should be based on the lower base line?

A. the amounts on the calculator are calculated correctly.

Q. The CEWS application on the FAQ 26 should be submitted no later than February 2021. Is this due date for the CEWS period 1 to 9 or only for periods 5 to 9?

A. The due date of no later than January 2021 applies for all periods.

Q. For professional services firms that track work in progress (WIP), such as lawyers, accountants etc. - if they normally do not include the change in WIP in revenue are they expected to consider it in revenue drop calculation?

A. There are a couple of issues there – you follow your normal accounting practice and if your accounting practice does not include WIP, then you would not include that, but there are options for cash and accrual basis, but you need to be consistent from period to period once you make a choice.

Q. We had 8% revenue drop in June. In July revenues increased by 18%. Can we claim a subsidy for July 5 - August 1 based on the drop in June?

A. Yes, but there are some other rules that must be met, so make sure to check the information on the website to make sure you are onsite with all the rules.

Q. Are Summer Students eligible for wage subsidy?

A. Yes, provided that all conditions are met, including new employees who are summer students

Q. Is there a deadline for application submissions for Periods 1 through 4.

A. Make sure all applications are submitted before January 2021.

Q. If not eligible 1-4 can we apply for period 5 going forward?

A. Generally yes, provided you meet all the conditions.

Q. What should I do if I calculated the Pre-Crisis average wages in a different manner than the currently recommended? (Dividing total wages paid by the total number of days in that period)

A. Generally, if you make a mistake in a claim, you can correct it to make sure your claim is accurate. You just go into your My Business Account and when you click on that form, you click on the radio button to amend the form, but you can't change the elections, so you would have to call in on the phone line and they will make a note on your file for you.

Q. Can you clarify the deeming provision and the safe harbour rules for periods 5-6? for example, if a business has a drop of 30% in period 4, but not in period 5, will they be eligible for the 75% subsidy for period 5?

A. The deeming rules (starting on Question 5 in the FAQ document) – if in period 4 you had a 30% revenue drop, but period 5 you did not, your period 5 revenue would be deemed to have been reduced by period 4, so you would qualify for the subsidy under the deeming rule.

Q. If a non-profit charges all the membership dues on June 1 of each year and covers the full year and uses accrual method when is the amount required to be included in revenue for CEWS on June 1 or spread out evenly over each month.

A. You determine your revenue on your normal accounting practices, typically under GAAP, but you can make the election to choose the cash basis, but once you choose that method, you must be consistent.

Q. Since you have approx. 4 methods of comparing current sales (to last yr., to last month, on accrual basis, on cash basis) is it advisable to wait until all periods have passed to determine the optimal method to maximize the claim?

A. You can wait, as long as you have made that claim before January 2021, but it is advisable to apply sooner than later so you can access the cash required.

Q. Provide examples of what "ordinary activities of the group" means. If usual practice of Canadian group is to manage, direct, finance a non-resident member incl. decision on pricing & where products are made, does that meet your criteria?

A. There are no good examples of "ordinary activity". There is general information on the website for groups of companies and those that have non-residents of members.

Q. When applying for the CEWS, I noticed that there is an addition made for "Election or Choices that have been made (required)". for every choice it states the reference of income tax act 125.7 (4). I am very much confused with these options as to which one fits to our situation? Any detail for this?

A. When they make a reference to the act, they will look at clarifying further.

Q. Can you provide some examples of individuals, other than related individuals for the purposes of the Act, who would be considered an eligible employee who does not deal at arm's length with the qualifying entity.

A. Generally when it comes to individuals who deal at non-arms length, it is individuals who are related. Another example might be a key employee who may not be related and does exercise substantial influence over the business.

Q. What is the due date to submit PD27A?

A. We encourage everyone to submit the PD27A after they submit their application for the wage subsidy, as this will be used to reconcile your payroll so that you do not receive a discrepancy notice at the end of the year.

Q. For the election to count revenues on the cash basis, the bank deposits from customers, most (but not always all) payments include both GST & PST. Are the GST & PST considered to be part of cash revenues or do they have to be adjusted out?

A. GST and PST is not part of revenue, so even though it's part of your bank deposit, it doesn't constitute part of your revenue.

Q. Period 5 states employees who are rehired, are eligible for CEWS, even if not working for 14 days. Does rehire count whether for a week or for a longer period of time based in work load? CRA Spreadsheet does not add if only one week worked.

A. Under the CEWS under period 5-9, there is no requirement to have worked 14 or more consecutive days in the period, so when it comes to part time employees or temporary employees, those payments to employees, provided all the other conditions are met, could be eligible for CEWS.

Q. For bonuses accrued on June 30 2020 and paid in July, is it eligible for CEWS?

A. It is possible for bonuses to be eligible for CEWS and you would have to determine when they are earned and considered in the period they are earned, not paid.

Q. Does the business contributions to the employee's RRSP count as part of eligible remuneration? Also, we had an employee who was off for two weeks and paid for being away. It was not related to anything Covid would she still qualify? Thanks

A. Only payments to employees that are subject to withholdings would qualify, but they are looking at that question in detail and will be posting information on the website. For an employee who was paid, but was on leave, could qualify, but there is more information and examples on their website.

Q. If we receive another government wage subsidy such as "TECHNATION Canada Career Ready Program" how does this impact the CEWS? Do we have to subtract out all other government funding?

A. When it comes to eligible employers who may receive more than one wage subsidy, the only requirement to reduce CEWS would be to reduce the CEWS subsidy by the amounts received under a work sharing program, but do not have to reduce it from another subsidy received.

Q. Are new start-ups (with no payroll prior to March 2020) still ineligible?

A. It's not on the basis on payroll, it's on the basis of qualifying revenue – if you have no qualifying revenue in 2019 and no revenue in January or February, then the employer would not be able to have a CEWS claim.

Q. With the funding provided by CEWS, are there any requirements that the funding will be used for? i.e. funding back to the employees, etc.

A. The employer receives the CEWS subsidy based on the wages paid to employees. They don't have to demonstrate how they use those funds. Employers are encouraged to pay the maximum salary pre-crisis, there is not requirement for the employer to demonstrate how it is being used.

Q. Day Homes, receive two types of subsidies from the Provincial Govt each month. One is to compensate the pay for each employee based on the hours worked and other one is to compensate the service provided at discounted price to low income families. Whether these subsidies consider as revenue or not?

A. Yes, generally Government sourced subsidies payments and grants are considered revenue for the purpose of CEWS.

Q. Given the changes recently made to the calculations for period 5 and onwards, can the business go back and change their base, i.e. month year over year versus the average?

A. Generally you can make changes to CEWS claim where you made mistakes, but you can not revoke or change your election chosen in the earlier periods. They are currently evaluating whether you can change or revoke and election, but currently now you can't change an election in a prior period so you should not change a claim for that reason, but they are looking to update that information soon.

Q. If an employee is let go with a notice period (in lieu of) and separate severance period, what if any of those periods can be claimed under CEWS?

A. Generally severance pay is not considered to be eligible remuneration for the purposes of CEWS.

Q. Small business owner pays themselves intermittently. When paid re baseline - use # days since last pay to calculate # weeks paid? Then when eligible remuneration pd, do the same?

A. Baseline remuneration is the amount paid during the baseline period to the employee, excluding periods of 7 or more consecutive days without pay. Eligible remuneration is the actual pay earned during that four-week period. One is paid, the other is "earned".

Q. is shareholder of corporation eligible CEWS?

A. Generally a shareholder would not be eligible, but if the shareholder is an employee on payroll and not arms-length, they may be eligible, but not amounts not considered salary and wages.

Q. If a daycare receives subsidy from the provincial government on a regular monthly basis, to help subsidize child care fees and wages for staff, is this considered revenue in the calculation?

A. Yes

Q. Does maternity top up count as leave with pay?

A. they have not had this question previously, but will endeavour to look into this and add a response on their website.

Q. Could you explain one of the changes: use the current period's revenue drop or the previous period's, whichever works in your favour?

A. You can refer to the deeming rule in the FAQ #5 on the website.

Q. Can you confirm: For period 5 and on we can now change our Accounting Method (accrual or cash election) AND Benchmark (General approach or Alternative approach election).

A. When it comes to the election to follow cash or accrual that must be used consistently through all periods. When it comes to general approach or alternative approach, you need to be consistent for 1-4 and consistent for period 5-9.

Q. If a business bought another business on Jan 1, can they use seller's monthly Revenue than comparing to Average of Jan and Feb. For period 1-4? For period 5-9? it is important for seasonal business.

A. Once of the key changes to CEWs was for asset acquisition and they have a new FAQ (Q 8-3) on their website that outlines all of the rules for asset acquisition.

Q. Most of the doctors have assistants that are on paper paid by Health organizations but in reality, paid by the doctors and surgeons. Can they still apply for wage subsidy for these assistants since they are not on payroll through their medical professional corporation?

A. Not sure of the exact nature of the arrangement, but it is only the employer that can apply for the subsidy for their employee. If there is another arrangement, there could be issues, but there is information on their FAQ 3-8 if you are using a third-party payroll provider.