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CANADA EMERGENCY WAGE SUBSIDY (CEWS) REFERENCE GUIDE

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The Canada Emergency Wage Subsidy (CEWS) for employers was implemented by the passing of Bill C-14 on April 11, 2020, and expanded with the passing of Bill C-20 on July 27, 2020. The subsidy is widely accessible to employers of all sizes and across all sectors of the economy, with the exception of public sector entities. It is intended to support businesses that are hardest hit by the COVID-19 pandemic and would help businesses re-hire workers, help prevent further job losses, and ease businesses back into normal operations.

There is no maximum dollar value amount a business can receive from the program; however, there is a limit on the amount of subsidy you can receive for a single employee's weekly wages and these limits change depending on the claim period.

Effective July 5, 2020, CEWS was modified to consist of two parts:

- A base subsidy that is available to all eligible entities that are experiencing any decline in revenues with the subsidy amount varying depending on the scale of revenue decline; and
- A top-up subsidy of up to an additional 25% for those eligible entities that have been the most adversely affected by the COVID-19 crisis.

Both the Base CEWS percentage and the Top-up CEWS percentage are comprised of a revenue drop calculation that is multiplied by a specific amount set by the government called a multiplier.

HOW THE PROGRAM IS ADMINISTERED:

CEWS is administered by the Canada Revenue Agency (CRA) on a period-by-period basis, with each period spanning 4 weeks (this is referred to as a CEWS Claim Period). Below is a current schedule of CEWS Claim Periods:

CEWS CLAIM PERIODS							
Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8
March 15 - Apr 11	Apr 12 - May 9	May 10 - Jun 6	Jun 7 - Jul 4	Jul 5 - Aug 1	Aug 2 - Aug 29	Aug 30 - Sept 26	Sept 27 - Oct 24
Period 9	Period 10	Period 11	Period 12	Period 13	Period 14	Period 15	Period 16
Oct 25 - Nov 21	Nov 22 - Dec 19	Dec 20 - Jan 17	Jan 18 - Feb 13	Feb 14 - Mar 13	March 14 - Apr 10	Apr 11 - May 8	May 9 - Jun 5

➔ NOTE: In its 2021 budget, released April 19, the federal government proposed Extending CEWS until September 25, 2021, with gradual decrease beginning July 4 (Period 18) These changes won't come into effect Parliament passes the budget. [Please click here to view the proposed CEWS program changes.](#)

CEWS ELIGIBILITY CRITERIA:

Nearly all businesses are eligible for the wage subsidy*. To be eligible, your business must:

- Have a CRA Business Number issued before March 15, 2020 or a third-party payroll provider who submits your payroll to CRA;
- You have purchased all (or almost all) of another person's or partnership's business assets
- Have employees on payroll who receive a T4 slip (includes new hires); and
- Meet the revenue loss requirement for each claim period

*For a finite breakdown of the types businesses eligible for the CEWS program, please [click here](#).

NOTE: Each claim period you apply for has its own calculation. Please see the '[How to Calculate CEWS](#)' section included in this guide.

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HOW TO CALCULATE A REVENUE DROP DURING A CEWS CLAIM PERIOD:

How to calculate a revenue drop during a CEWS Claim Period

1. Determine your revenues for the applicable period(s)
2. Calculate your revenue reduction by choosing one of the following options:

General Approach: Compare your eligible business revenue for the claim period month in 2020 or 2021 you are applying for with your eligible business revenue for the same month in 2019; or

Alternative Approach: Compare your eligible business revenue for the claim period month in 2020 or 2021 you are applying for with your average eligible business revenue for the months of January and February 2020.

NOTE: If you choose the Alternative Approach, you will need to [file an election](#).

REVENUE DROP CALCULATIONS		
FORMAT FOR ALL PERIODS		
	GENERAL APPROACH SAME MONTH FROM 2019	ALTERNATIVE APPROACH AVG OF JAN AND FEB OF 2020*
PERIODS 5 - 9		
Revenue Drop Calculation for Base %	GENERAL APPROACH A <u>CLAIM MONTH OR PRIOR MONTH</u> SAME MONTH FROM 2019	ALTERNATIVE APPROACH B <u>CLAIM MONTH OR PRIOR MONTH</u> AVG OF JAN AND FEB OF 2020*
FROM PERIOD 8-16 ALL CALCULATIONS (A-D) IN THIS TABLE CAN BE USED TO CALCULATE THE TOP UP REVENUE REDUCTION		
Revenue Reduction for Top-up %	GENERAL APPROACH C <u>AVG OF 3 PRIOR MONTHS TO THE CLAIM MONTH 2020</u> AVG OF THE SAME 3 MONTHS IN 2019	ALTERNATIVE APPROACH D <u>AVG OF 3 PRIOR MONTHS TO THE CLAIM MONTH 2020</u> AVG OF JAN AND FEB 2020*
PERIODS 10 and 11		
Revenue Reduction for Top-up %	GENERAL APPROACH CURRENT MONTH 2020 OVER CURRENT MONTH 2019 or PREVIOUS MONTH 2020 OVER PREVIOUS MONTH 2019	ALTERNATIVE APPROACH DEC 2020 over AVG of JAN and FEB 2020 or NOV 2020 over AVG of JAN and FEB 2020
PERIOD 12		
Revenue Reduction for Top-up %	GENERAL APPROACH JAN 2021 OVER JAN 2020 or DEC 2020 OVER DEC 2019	ALTERNATIVE APPROACH JAN 2021 over AVG of JAN and FEB 2020 or DEC 2020 over AVG of JAN and FEB 2020
PERIOD 13		
Revenue Reduction for Top-up %	GENERAL APPROACH FEB 2021 OVER FEB 2020 or or JAN 2021 OVER JAN 2020	ALTERNATIVE APPROACH FEB 2021 over AVG of JAN and FEB 2020 or JAN 2021 over AVG of JAN and FEB 2020

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REVENUE DROP CALCULATIONS		
PERIOD 14		
Revenue Reduction for Top-up %	GENERAL APPROACH MARCH 2021 OVER MARCH 2020 or FEB 2021 OVER FEB 2020	ALTERNATIVE APPROACH MAR 2021 over AVG of JAN and FEB 2020 or FEB 2021 over AVG of JAN and FEB 2020
PERIODS 15 and 16		
Revenue Reduction for Top-up %	GENERAL APPROACH CURRENT MONTH 2021 OVER CURRENT MONTH 2019 or PREVIOUS MONTH 2021 OVER PREVIOUS MONTH 2019	ALTERNATIVE APPROACH CURRENT MONTH 2021 over AVG of JAN and FEB 2020 or PREVIOUS MONTH 2021 over AVG of JAN and FEB 2020
* Avg of Jan & Feb 2020 can reflect operational days by equating to = $0.5 (\text{Jan \& Feb 2020 Revenues}) \times 60 \text{ days} / \# \text{ of days operational in Jan \& Feb 2020}$		

To calculate your gross revenues, you can choose between two accounting methods.

Cash Method: The method by which you record your income as it is received and expenses as they are paid

Accrual Method: The method by which you record income and expenses when they are billed. Once you have chosen your preferred accounting method, you will have to continue to use that same accounting method for all periods.

NOTE: You can change from one accounting method to the other during the course of the program, however, you will then have to change the accounting methods for all previous applications as well so you are best to choose one method and stick with it for all your CEWS applications.

The CEWS program changes effective July 5, 2020 allows for any revenue drop to be eligible for the new base CEWS percentage and is based on a 1-month revenue comparison. In addition, a revenue drop of 50% or more will make you eligible for the **Top-Up CEWS percentage**.

For Periods 5-7: the top-up is based on a 3-month average revenue comparison.

For Period 8 onwards: the top-up is calculated based on the revenue reduction of the claim month.

Both the Base CEWS percentage and the Top-up CEWS percentage are comprised of a revenue drop calculation that is multiplied by a specific amount set by the government called a multiplier.

Base %=(Base multiplier) X (Base revenue drop)

Top-up%=(Top-up multiplier) X (Top-up revenue drop - 50%)

REVENUE DROP CALCULATIONS									
CEWS PERIODS									
PERIOD	5 AND 6	7	8	9	10	11	12	13	14 - 16
BASE SUBSIDY MULTIPLIER	1.2	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
TOP-UP SUBSIDY MULTIPLIER	1.25					1.75	1.75	1.75	1.75

When determining the amount of subsidy for which you are eligible, start with calculating the Top-Up CEWS rate for each period.

For Periods 5-7: if you have a revenue drop of less than 50% on average over the 3 previous months, you do not qualify for the top-up CEWS.

For Period 8 onwards: the top-up will be based on the revenue reduction amount of the claim month.

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Once you determine which approach works best for your business you can add both your base CEWS revenue drop percentage and top-up CEWS revenue drop percentage (which will be zero if your revenue drop is less than 50%) to determine your new CEWS percentage.

If you are in Period 5 or 6 you can use the **Safe Harbour Rule** to use the greater of the old or new revenue reduction percentage in your CEWS. To decide which is likely more beneficial for your business, compare your new CEWS percentage with the old CEWS percentage. If your revenue reduction is greater or equal to 30 % using the old calculations AND your new CEWS percentage (the sum of Base% + Top-up%) is less or equal to 75% for the claim period, then use the old CEWS calculations.

NOTE: The Safe Harbour Rule allows businesses who would have been eligible for the 75% wage subsidy under the old CEWS rules, to still get a minimum of 75% under the new rules for periods 5 and 6 only. So, an eligible employer with a revenue reduction of 30% or more in periods 5 and 6 will receive at least a 75% subsidy, or possibly more under the new rules if their revenue reduction is very high.

Deeming Rule: Within the old CEWS rules, there is an option called the Deeming Rule which allows businesses to apply for CEWS without needing to show CRA proof of having met a revenue drop in the current claim period if they qualified in the previous claim period.

This rule can only be applied for the first 4 CEWS periods. It is important to note that even if you are deemed eligible for a period, you must apply for every period in order to receive funding.

This Deeming Rule evolves in Period 5 and onwards as it was integrated into the revenue drop test. Instead of automatically qualifying for a future period, a business can elect to use their current OR prior month's revenue to compare with the previous year to determine which would provide them with the highest amount of subsidy.

CRA has developed online tools to help calculate your overall subsidy rate (base and top-up) by using the [online calculator or spreadsheet](#).

CEWS EMPLOYEE ELIGIBILITY CRITERIA:

When applying for CEWS, you will need to know which of your employees can be included in your calculation. You will also need to know how much their pay (eligible remuneration) was.

Who are eligible employees: An eligible employee is a person who was employed by you (the eligible employer) in Canada during the claim period.

For **claim periods 1 to 4**, you can't include employees who had 14 or more consecutive unpaid days in the period. However, **for periods 5 and later**, you no longer have to exclude these employees from your calculation.

Employee eligibility depends on the person being employed in Canada, not living in Canada.

Retroactively hiring and paying employees: Employees you laid off can become eligible retroactively, as long as you rehire and pay them so they meet the eligibility criteria for the claim period. You must rehire and pay these employees before you include them in your subsidy claim.

You will be asked whether an employee is arm's length or not when you calculate your subsidy amount, because the subsidy is calculated differently for eligible non-arm's-length and arm's-length employees.

Arm's-length employees: For most small businesses, workers are usually **arm's-length** employees unless they are an owner or an owner's family member.

Non-arm's-length employees: In a small business, a non-arm's-length employee would most often be a business owner or a member of an owner's immediate family (for example, a spouse, parent, child, sibling, grandparent, or grandchild)

NOTE: It's possible (but less common) for a non-arm's-length employee relationship to exist between unrelated people, depending on the circumstances.

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CEWS EMPLOYEE ELIGIBILITY CRITERIA CON'T:

If you're not sure about whether an employee is considered arm's length or non-arm's length, or have a business involving more complex control (like a corporation, trust, or partnership), you can [read more about specific relationships that are considered non-arm's length](#).

Active employees and employees on leave with pay: whether an eligible employee is active or on leave with pay is determined one week at a time in the [subsidy calculator](#).

Active employees: Are employees who worked for any part of a week during the claim period.

Employees on leave with pay: Are employees who were temporarily furloughed for one or more full weeks in the claim period but were still receiving pay for those weeks.

To be considered on leave with pay for a week within a claim period, an employee must:

- have received full or partial pay from you for the week
- not have worked at all during the full week
- not have been on paid absence (such as vacation leave, sick leave, or a sabbatical)
- have been in an employer-employee relationship with you at the time (they were not terminated)

NOTE: For claim periods 5 to 9, employees on leave with pay are treated differently than active employees when calculating your subsidy amount.

The amount for employees in either situation from week to week is determined automatically when you use the [online calculator](#) or spreadsheet.

Or, you can read the in-depth information about [how the wage subsidy is calculated for employees on leave with pay](#).

For all claim periods 1 to 9, you can claim a 100% refund of the employer-paid part of contributions made for a week on behalf of any eligible employees who are on leave with pay for that full week in the claim period.

The employer-paid contributions that can be refunded for employees on leave with pay for the week include:

- Employment Insurance (EI)
- The Canada Pension Plan (CPP)

Employees participating in a Work-Sharing benefit program: If you are participating in Employment and Social Development Canada's Work-Sharing benefit program, you will need to know the amount of EI benefits received by your eligible employees through the program during the claim period.

If you don't have the exact amount of work-sharing benefits received by your employees, CRA will accept a reasonable estimate.

CEWS ELIGIBLE EMPLOYEE REMUNERATION:

Eligible remuneration is normally the type of employee pay you would make payroll deductions on.

Eligible remuneration includes amounts such as:

- salary
- wages
- certain taxable benefits
- fees and commissions

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Eligible remuneration does not include amounts such as:

- severance pay
- stock option benefits
- dividends
- tips customers gave directly to the employee
- non-cash taxable benefits, such as the personal use of a corporate vehicle

[Click here](#) to read more about specific items included in eligible remuneration.

CALCULATING BASELINE REMUNERATION (PRE-CRISIS PAY):

The baseline remuneration is the average wage paid from a selected period prior to COVID-19 as shown below:

- **Default:** January 1, 2020 to March 15, 2020
- **Alternative for Periods 1 through 3:** March 1, 2019 to May 31, 2019
- **Alternative for Period 4:** March 1, 2019 to May 31, 2019, or March 1, 2019 to June 30, 2019
- **Alternative for Periods 5 through 13:** July 1 to December 31, 2019

The baseline remuneration period for each employee will also exclude any seven-day periods in respect of which the employee did not receive remuneration.

To maximize your employee's Baseline Remuneration, you will need to determine which baseline period gives your employee the greatest average wage. Although it adds work to your calculations, we do recommend that you use the best baseline remuneration period for each employee depending on their CEWS period. To do this:

Total all the remuneration paid to the employee during the selected Baseline Remuneration period.

Divide the total pay by the number of days in the selected baseline period, subtracting all days within any period of 7 or more consecutive days the employee was not paid for

Multiply the result by 7 to get the average weekly Baseline Remuneration.

These steps can be expressed using this equation:

$$\text{BASELINE REMUNERATION} = \left\{ \frac{\text{TOTAL REMUNERATION PAID}}{\frac{\text{The total \# of days in the selected baseline period.}}{\text{Total \# of days that the employee was}}} \right\} \times 7$$

CALCULATING YOUR CANADA EMERGENCY WAGE SUBSIDY:

When you apply for the Canada Emergency Wage Subsidy (CEWS), you will be asked to enter amounts such as:

- The number of eligible employees
- Updated financial accounts for the last year and the current year reflecting past and current incomes and loss of revenue.
- Updated gross payroll information for each of your subsidy eligible employees.
- The amount of EI premiums and CPP contributions that you have paid on behalf of those employees.
- The amount that you have received from ESDC's Work-Sharing program to pay your employees (if applicable).

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CALCULATING YOUR CANADA EMERGENCY WAGE SUBSIDY CON'T:

Payroll Frequency: An eligible employer's payroll frequency (whether biweekly, semi-monthly, monthly, etc.) has no effect on the calculation of eligible remuneration paid for purposes of the wage subsidy. While the eligible remuneration must have been paid to the eligible employee, it does not matter whether the employee receives their paycheque for a week at the end of the week, at the end of the month, or otherwise. If an employer's payroll cycle does not align with the wage subsidy for the claim periods, they will have to do a manual calculation to reflect the remuneration paid in respect of that claim period. Employers will not be permitted to use an average of the daily wages paid.

The eligible remuneration reported on an employer's wage subsidy application must reflect the actual amount paid in respect of the claim period.

An online [calculator tool](#) is available to employers who are interested in applying for the subsidy. The calculator will provide employers with an estimate on how much subsidy they will be able to claim through the CEWS program.

Reporting Requirements: Employers will be expected to report the amount of the CEWS that was used to pay each of their employees' salaries by using a special code in the "Other Information" area at the bottom of the employees' T4 slips. Please note that employers who filed their T4 slips and summary for 2020 on or before December 22, 2020 will not need to submit an amended T4.

Employers must keep records to ensure that their claim is accurate, complete and clearly supports their eligibility.

In addition to showing the calculation of the wage subsidy claimed for each eligible employee, the documentation maintained must also include an analysis of the nature of the remuneration. Any supporting documentation should be retained.

CRITICAL ADDITIONAL CEWS PROGRAM INFORMATION:

For a **Step-by-Step Guide** on 'How to Apply for CEWS' please [click here](#).

For a list of **Frequently Asked Questions** on the CEWS please [click here](#).

NOTE: The **Canada Emergency Wage Subsidy** received by an employer is **considered government assistance** and is included in the employer's **taxable income**. It is, however, specifically excluded from the definition of revenue for the purpose of the revenue reduction calculation.

The information on this reference guide and on the Manitoba Business Matters website is based on rapidly-developing relief programs and legislative changes and is produced by Manitoba Business Matters as an information service to Manitoba businesses.

It is not intended to substitute professional advice.

These summaries will be updated as support programs and legislation continues to evolve.

For the most comprehensive and current information, please review the Government of Canada's COVID-19 Economic Response Plan [click here](#).



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