



# Frequently asked questions - Canada emergency wage subsidy (CEWS)

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The following FAQs are intended to provide more in-depth technical information on the most commonly anticipated technical questions from businesses and tax professionals. These will be updated periodically as new questions arise. User friendly information, including a calculator has also been developed by the Canada Revenue Agency (CRA) and is now available under the [Canada Emergency Wage Subsidy \(CEWS\)](#).

## Overview

### 1. What is the Canada Emergency Wage Subsidy?

The Canada Emergency Wage Subsidy (wage subsidy) is a subsidy available for a period of twelve weeks from March 15, 2020 to June 6, 2020, that will provide a subsidy of 75% of eligible remuneration, paid by an eligible entity (eligible employer) that qualifies, to each eligible employee—up to a maximum of \$847 per week.

Eligible employers, such as business owners, that see a drop of at least 15% of their qualifying revenue in March 2020 and 30% for the following months of April and May, when compared to their qualifying revenue for the same period in 2019 (or the average of January and February 2020, in some circumstances), will qualify for the wage subsidy. Special rules apply for certain other employers.

Generally, the eligible employer's wage subsidy amount for an eligible employee (does not include an employee who is without remuneration in respect of 14 or more consecutive days), on eligible remuneration paid in a claim period, is the greater of:

- 75% of the eligible remuneration paid per week, up to an amount of \$847; and
- the least of - the eligible remuneration paid per week, an amount of \$847 and 75% of the employee's average weekly eligible remuneration paid between January 1 to March 15, 2020, whichever is less.

More information on the meaning of eligible employer, eligible employee and qualifying revenue is provided below.

## **2. What are the relevant periods for calculating the wage subsidy?**

There are three periods that are relevant for calculating the wage subsidy.

### **Qualifying period (Claim period)**

The claim period, is the period for which an eligible employer can claim the wage subsidy for remuneration paid to eligible employees. An eligible employer may be able to claim the wage subsidy for one or more of the following claim periods:

- the period that begins on March 15, 2020 and ends on April 11, 2020;
- the period that begins on April 12, 2020 and ends on May 9, 2020; and
- the period that begins on May 10, 2020 and ends on June 6, 2020.

### **Current reference period**

The current reference period with respect to a claim period, is the period in respect of which an eligible employer's qualifying revenue would be compared to its qualifying revenue in the applicable prior reference period, to determine its revenue reduction. The applicable current reference period, for a claim period is:

- March 2020 – for the claim period that begins on March 15, 2020 and ends on April 11, 2020;
- April 2020 – for the claim period that begins on April 12, 2020 and ends on May 9, 2020; and
- May 2020 – for the claim period that begins on May 10, 2020 and ends on June 6, 2020.

### **Prior reference period**

The prior reference period, with respect to a claim period, is the period in respect of which an eligible employer's qualifying revenue, would be compared to its qualifying revenue in the applicable current reference period, to determine its revenue reduction. The applicable prior reference period in respect of a claim period will depend on the approach the eligible employer chooses to compare its revenue.

Under the general year-over-year approach, the eligible employer compares its qualifying revenue in the current reference period to that of the same month for 2019. Under this approach, the prior reference period for a claim period is:

- March 2019 – for the claim period that begins on March 15, 2020 and ends on April 11, 2020;
- April 2019 – for the claim period that begins on April 12, 2020 and ends on May 9, 2020; and
- May 2019 – for the claim period that begins on May 10, 2020 and ends on June 6, 2020.

Under the alternative approach, an eligible employer may compare its qualifying revenue in the current reference period, with that of its average revenue earned in the months of January and February of 2020. Hence, under the alternative approach, the prior reference period for a claim period is January and February 2020.

An eligible employer can use the alternative approach if:

- on March 1, 2019, the eligible employer was not carrying on a business or otherwise carrying on its ordinary activities, or
- the eligible employer elects (see note below) to use January and February 2020 as the prior reference period for all the claim periods described above.

Once an approach is chosen, the eligible employer would be required to use the same approach for the entire duration of the program.

**Note:** This election must be made and retained with the eligible employer's other books and records (see Q33) in support of its wage subsidy claim and eligibility, and the individual who has principal responsibility for the eligible employer's financial activities must attest that this is the case.

# Eligibility

## 3. Which employers are eligible for the wage subsidy?

For the purposes of the wage subsidy, an eligible employer means:

- a corporation (other than a public institution) that is not exempt from tax under Part I of the Income Tax Act (the Act);
- an individual (including a trust);
- a registered charity (other than a public institution);
- a person that is exempt from tax under Part I of the Act (other than a public institution), that is:
  - an agricultural organization;
  - a board of trade or a chamber of commerce;
  - a non-profit corporation for scientific research and experimental development;
  - a labour organization or society;
  - a benevolent or fraternal benefit society or order; and
  - a non-profit organization;
- a partnership, each member of which is a person or partnership described in this list.

A public institution is a school, school board, hospital, health authority, public university or college. It also includes an organization described in any of paragraphs 149(1)(a) to (d.6) of the Act, for example, municipalities and local governments and tax-exempt Crown corporations.

## 4. How does an eligible employer qualify for the wage subsidy?

In order to qualify for the wage subsidy in respect of a claim period, an eligible employer must meet the following conditions:

- it had an open payroll program account with the CRA on March 15, 2020;
- it experienced the required reduction in revenue for one or more claim period (see Q5);
- it makes a wage subsidy application for the claim period, in a prescribed form and manner, before October 2020; and
- the individual who has principal responsibility for the eligible employer's financial activities attests that the application mentioned above is complete and accurate in all material respects.

## 5. How is the reduction in revenue determined?

Once an eligible employer has calculated its qualifying revenue for each relevant reference period in a particular claim period, it would determine if it has experienced the required reduction in revenue to qualify for the wage subsidy for that claim period. However, the employer is under no obligation to prove that the decline in revenue is related to the COVID-19 crisis.

Table 1 below summarizes each relevant period and the required reduction in revenue to qualify to claim the wage subsidy.

### Relevant Periods

**Table 1**

	<b>Claim periods</b>	<b>Required reduction in revenue</b>	<b>Reference periods for comparison under the general approach</b>	<b>Reference periods for comparison under the alternative approach</b>

	<b>Claim periods</b>	<b>Required reduction in revenue</b>	<b>Reference periods for comparison under the general approach</b>	<b>Reference periods for comparison under the alternative approach</b>
<b>Period 1</b>	March 15 to April 11, 2020	15%	March 2020 over March 2019	March 2020 over average of January and February 2020
<b>Period 2</b>	April 12 to May 9, 2020	30% <sup>1</sup>	April 2020 over April 2019	April 2020 over average of January and February 2020
<b>Period 3</b>	May 10 to June 6, 2020	30%	May 2020 over May 2019	May 2020 over average of January and February 2020

If an eligible employer has not experienced the required reduction in revenue to qualify to claim the wage subsidy for a particular claim period, it may still qualify to claim the wage subsidy for another claim period if it has experienced the required reduction in revenues in that other claim period.

Once an eligible employer has determined that it has experienced the required reduction in revenue for a particular claim period, it is automatically considered to have experienced the required reduction in revenue for the immediately following claim period (deeming rule). As a result, the employer does not have to make this determination again for that next claim period (see Table 2 below).

However, this deeming rule does not automatically extend to apply to the period after that next claim period. For example, if an eligible employer meets the condition for the reduction in respect of the first claim period - March 15 to April 11, 2020, the employer will be considered to have met the required reduction in revenue in respect of the second reference period - April 12 to May 9, 2020, without necessarily making a determination. But the eligible employer will have to make a determination for the third claim period - May 10 to June 6, 2020 (see Table 2 below).

In a situation where the eligible employer, subsequently determines that it actually experienced the required reduction in revenue, without applying the deeming rule, for the second claim period - April 12 to May 9, 2020, the eligible employer will be considered to have experienced the required reduction in revenue for that third claim period because of the deeming rule that can now be applied to the third period (see Example 1).

**Table 2**

<p><b>Claim period 1 March 15 to April 11, 2020 <sup>2</sup></b></p>	<p><b>Claim period 2 April 12 to May 9, 2020 <sup>2</sup></b></p>	<p><b>Claim period 3 May 10 to June 6, 2020 <sup>2</sup></b></p>
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<b>Claim period 1</b> <b>March 15 to April 11, 2020 <sup>2</sup></b>	<b>Claim period 2</b> <b>April 12 to May 9, 2020 <sup>2</sup></b>	<b>Claim period 3</b> <b>May 10 to June 6, 2020 <sup>2</sup></b>
<p>Reduction of revenue of less than 15%</p> <p>Does not qualify under the regular rule</p>	<p>Reduction of revenue of less than 30%</p> <p>Does not qualify under the regular rule</p>	<p>Reduction of revenue of less than 30%</p> <p>Does not qualify under the regular rule</p>
<p>Reduction of revenue of less than 15%</p> <p>Does not qualify under the regular rule</p>	<p>Reduction of revenue of 30% or more</p> <p>Qualifies under the regular rule</p>	<p>Reduction of revenue of less than 30%</p> <p>Does not qualify under the regular rule <b>but</b> qualifies under the deeming rule (because the employer meets the 30% reduction of revenue in the claim period 2)</p>

<b>Claim period 1</b> <b>March 15 to April 11, 2020 <sup>2</sup></b>	<b>Claim period 2</b> <b>April 12 to May 9, 2020 <sup>2</sup></b>	<b>Claim period 3</b> <b>May 10 to June 6, 2020 <sup>2</sup></b>
<p>Reduction of revenue of 15% or more</p> <p>Qualifies under the regular rule</p>	<p>Reduction of revenue of less than 30%</p> <p>Does not qualify under the regular rule <b>but</b> qualifies under the deeming rule (because the employer meets the required 15% reduction of revenue in the claim period 1)</p>	<p>Reduction of revenue of less than 30%</p> <p>Does not qualify under the regular rule</p> <p>The deeming rule does not apply because the reduction of revenue during the claim period 2 was not 30% or more.</p>
<p>Reduction of revenue of 15% or more</p> <p>Qualifies under the regular rule</p>	<p>Reduction of revenue of 30% or more</p> <p>Qualifies under the regular rule <b>as well as</b> under the deeming rule (because the employer meet the 15% reduction of revenue in the claim period 1)</p>	<p>Reduction of revenue of less than 30%</p> <p>Not qualifies under the regular rule <b>but</b> qualify under the deeming rule (because the employer meets the 30% reduction of revenue in the claim period 2)</p>

<b>Claim period 1</b> <b>March 15 to April 11, 2020 <sup>2</sup></b>	<b>Claim period 2</b> <b>April 12 to May 9, 2020 <sup>2</sup></b>	<b>Claim period 3</b> <b>May 10 to June 6, 2020 <sup>2</sup></b>
Reduction of revenue of 15% or more  Qualifies under the regular rule	Reduction of revenue of 30% or more  Qualifies under the regular rule <b>as well as</b> under the deeming rules (because the employer meet the 15% reduction of revenue in the claim period 1)	Reduction of revenue of 30% or more  Qualify under the regular rule <b>as well as</b> under the deeming rules (because the employer meets the 30% reduction of revenue in the claim period 2)

► Example 1

### General “year-over-year” approach

For an eligible employer that was carrying on business—or otherwise carrying on its ordinary activities—on March 1, 2019, and is using the general year-over-year approach, the reduction in revenue determination is made by comparing the change in qualifying revenue, year-over-year, for the calendar month in which the claim period began.

If the qualifying revenue for the relevant month in the current year has declined when compared to the qualifying revenue for the relevant month in the prior year, by a percentage equal to or greater than the required reduction in revenue for the claim period (see Table above), then the

eligible employer has experienced the required reduction in revenue for the claim period and qualifies to claim the wage subsidy for that claim period, assuming the other qualifying conditions are met (see Q4).

On the other hand, if the qualifying revenue for that current reference period has declined by a percentage less than the required reduction in revenue for the claim period, then the eligible employer has not experienced the required reduction in revenue when compared to that prior reference period and does not qualify to claim the wage subsidy for that claim period.

▶ Example 2

### **Alternative approach**

For an eligible employer that was not carrying on business—or otherwise not carrying on its ordinary activities—on March 1, 2019, or that has elected to use this alternative approach (see note below) for all claim periods, the reduction in revenue determination is made by comparing the:

- the qualifying revenue for the calendar month in which the claim period began; and
- the average of the qualifying revenues earned in both January and February 2020.

If the qualifying revenue for the calendar month in which the claim period began has declined, when compared to the average of the qualifying revenues earned in both January and February 2020, by a percentage equal to or greater than the required reduction in revenue for the claim period (see Table above), then the eligible employer has experienced the required reduction in revenue for the claim period and may qualify to claim the wage subsidy for that claim period, assuming the other qualifying conditions are met (see Q4).

When the alternative approach is chosen, the average qualifying revenue will be calculated as follows:

Average qualifying revenue =  $0.5 \times A \times (B/C)$  where

A= qualifying revenues for the months of January and February of 2020

B= number of days in January and February 2020

C= number of days in January and February of 2020 during which the eligible employer was carrying on business—or otherwise carrying on its ordinary activities.

Where a business is carried on throughout January and February 2020, the factor (B/C) will be 1. Hence, there will be no adjustment to the average qualifying revenue.

In a situation where an eligible employer was not carrying on business—or otherwise not carrying on its ordinary activities—through out the months of January or February 2020, for example, in the case of a new business that started mid January, the qualifying revenues for the months of January and February 2020 will be grossed up by the factor (B/C), to make the comparison of the qualifying revenue in the prior reference period comparable to the qualifying revenue in the current period (see Example 4).

However, if operations began anytime after February 2020, the employer would not be eligible for the wage subsidy.

If the qualifying revenue for that current reference period has declined by a percentage less than the required reduction in revenue when compared to that prior reference period (January and February 2020), then the eligible

employer has not experienced the required reduction in revenue for the claim period and does not qualify to claim the wage subsidy for that claim period.

**Note:** This election must be made and retained with the eligible employer's other books and records (see Q33) in support of its wage subsidy claim and eligibility, and the individual who has principal responsibility for the eligible employer's financial activities must attest that this is the case.

▶ Example 3

▶ Example 4

## Calculating Revenues

### 6. What is qualifying revenue?

Qualifying revenue of an eligible employer means the inflow of cash, receivables, or other consideration arising in the course of its ordinary activities in Canada in a particular period. These inflows are generally from the sale of goods, the rendering of services, and the use—by others—of the eligible employer's resources.

In the case of an eligible employer that is a registered charity, qualifying revenue generally includes gifts and other amounts received in the course of its ordinary activities. Where it operates a related business (as defined in subsection 149.1 of the Act), the revenue from that related business is also included in the registered charity's qualifying revenue.

In the case of an eligible employer that is a non-profit organization, qualifying revenue generally includes membership fees and other amounts received in the course of its ordinary activities.

Qualifying revenue excludes amounts from extraordinary items, amounts on account of capital and amounts from persons or partnerships that the eligible employer was not dealing with at arm's length. Amounts from the Canada Emergency Wage Subsidy and the 10% Temporary Wage Subsidy for Employers are ignored when calculating qualifying revenue.

An eligible employer's qualifying revenue is used to determine the required reduction in revenue necessary to qualify for the Canada Emergency Wage Subsidy (see Q5).

## **7. Are there special rules for calculating the qualifying revenue of a registered charity or non-profit organization?**

Yes. In addition to the qualifying revenue inclusions specific to registered charities and non-profit organizations (see Q6), these eligible employers may elect (see note below) to exclude funding received from government sources when determining their qualifying revenue.

This election applies to the determination of qualifying revenue for all of an eligible employer's prior reference periods and current reference periods.

**Note:** This election must be made and retained with the eligible employer's other books and records in support of its wage subsidy claim and eligibility (see Q33), and the individual who has principal responsibility for the eligible employer's financial activities must attest that this is the case.

## **8. Are there special rules for calculating the qualifying revenue of an eligible employer that derives its revenue from one or more non-arm's length persons or partnerships?**

Special rules exist for an eligible employer that derives all or substantially all of its revenue from one or more particular persons or partnerships with which it does not deal at arm's length.

Essentially, if the eligible employer and each of these particular persons or partnerships with which it does not deal at arm's length jointly elect (see note below), the eligible employer's qualifying revenue for the prior reference period is deemed to be \$100 and a weighted-average approach (see Example 6), is used to determine qualifying revenue for the current reference period.

When calculating the qualifying revenue for the current reference period under this rule, the eligible employer's qualifying revenue includes amounts derived from persons or partnerships not dealing at arm's length with it.

The amount used for each of the particular person's or partnership's qualifying revenue is modified to include revenues earned outside of Canada. The particular person or partnership can be either a resident or a non-resident.

For more information about non-arm's length, please see Income Tax Folio [S1-F5-C1, Related Persons and Dealing at Arm's Length](#).

**Note:** This election must be made and retained with the eligible employer's other books and records in support of its wage subsidy claim and eligibility (see Q33), and the individual who has principal responsibility for the eligible employer's financial activities must attest that this is the case.

▶ Example 5

▶ Example 6

**9. Are there special rules for calculating the qualifying revenue of a group of eligible employers?**

The qualifying revenue of an eligible employer is generally determined in accordance with its normal accounting practices. Consequently, when a group of eligible employers generally prepares consolidated financial statements, each member of the group will determine its qualifying revenue in accordance with those statements.

However, each member of such a group may determine its qualifying revenue separately and not based on the consolidated statements, so long as every member of the group determines its qualifying revenue on that separate basis.

▶ Example 7

## **10. Are there special rules for calculating the qualifying revenue of members of an affiliated group?**

If an eligible employer and each member of an affiliated group of eligible employers of which the eligible employer is a member jointly elect (see note), the qualifying revenue of the affiliated group, determined on a consolidated basis in accordance with relevant accounting principles, is to be used for each member of the group. This rule applies even if one or more members of an affiliated group may have no revenue to report in the claim period.

**Note:** This election must be made and retained with the eligible entity's other books and records (see Q33) in support of its wage subsidy claim and eligibility, and the individual who has principal responsibility for the eligible entity's financial activities must attest that this is the case.

▶ Example 8

## **11. Are there special rules when an eligible employer is owned by participants in a joint venture?**

If all of the interests in an eligible employer are owned by participants in a joint venture and all or substantially all of the qualifying revenue of the eligible employer is in respect of the joint venture, then the eligible employer may use the qualifying revenues of the joint venture (determined as if the joint venture were an eligible employer), instead of its qualifying revenues, to determine if it experienced the required reduction in revenue in order to qualify for the wage subsidy.

## **12. Can I use the cash method of accounting when determining my qualifying revenue?**

Qualifying revenue of an eligible employer is to be determined in accordance with its normal accounting practices. An eligible employer would be allowed to calculate its revenue under the accrual method or the cash method, but not a combination of both. Further, the eligible employer has to make an election, which will apply for all claim periods, to determine its qualifying revenues based on the cash method.

This election must be made and retained with the eligible employer's other books and records (see Q33) in support of its wage subsidy claim and eligibility, and the individual who has principal responsibility for the eligible employer's financial activities must attest that this is the case.

# **Eligible Employees**

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

An eligible employee, in respect of a week in a claim period, means an individual employed in Canada by the eligible employer in the claim period, as long as the employee has not been without remuneration from the eligible employer for a period of 14 or more consecutive days in the claim period.

Eligible employee status is determined in respect of each week in each claim period, so an employee that is not an eligible employee in a preceding claim period (because, for example, the 14 day remuneration condition has not been met) may become eligible in a following claim period (see example under Q15).

#### **14. Can an eligible employer claim the wage subsidy for an employee that the employer hires back and pays retroactively?**

Yes. It is possible for an eligible employer to hire back eligible employees and pay them retroactively in respect of a claim period, to be able to qualify for the wage subsidy. Refer to the example in Q20.

Further, if such an employee has received a Canada Emergency Response Benefit (CERB) payment from the CRA for a claim period, and it is later determined that they are no longer eligible for the CERB, whether due to the employment or otherwise, there are ways for the employee to return or repay the CERB amount. For more details on repayment, please refer to [Return or repay](#) on the Apply for CERB web page.

#### **15. Can an eligible employer claim the wage subsidy in respect of an eligible employee who has received payments under the CERB?**

Yes, in certain situations, an eligible employer may be eligible to claim the wage subsidy in respect of an eligible employee who has received payments under the CERB program. However, as explained above (see Q13), where an individual has not received any remuneration from the eligible employer for a period of 14 or more consecutive days in a claim period, the individual will not qualify as an eligible employee for that period of employment. Therefore, the eligible employer will not be eligible for the wage subsidy in respect of that employee for that claim period.

The onus is on the eligible employer to ensure that an employee has received eligible remuneration for more than 14 consecutive days in a claim period, to be eligible for the wage subsidy in respect of that employee, for that claim period. However, it is the employee's responsibility to determine their eligibility for the CERB for any period.

Where an employee has received a CERB payment from the CRA and it is later determined that they are no longer eligible for the CERB, whether due to the employment or otherwise, the employee may want to return or repay the CERB payment. For more details, please refer to [Return or repay](#) on the Apply for CERB web page.

▶ Example 9

## **16. Can a non-resident employee be an eligible employee?**

Yes. Since eligible employee status is determined based on where the individual is employed and not where the individual resides. Generally, a non-resident individual employed in Canada during a claim period will qualify as an eligible employee as long as all other conditions to be an eligible employee are met.

# **Eligible Remuneration**

## **17. What is eligible remuneration?**

Eligible remuneration of an eligible employee means amounts paid to employee as salary, wages, and other remuneration, certain taxable benefits (provided such amounts are actually paid), and fees, commissions or other amounts paid for services. These are amounts for which an eligible

employer would generally be required to make payroll deductions to be remitted to the CRA. The following amounts are not considered eligible remuneration:

- a retiring allowance;
- an amount deemed to have been received by the eligible employee as an employment benefit in respect of a stock option agreement;
- any amount received that can reasonably be expected to be paid or returned, directly or indirectly, to the eligible employer or to a person (or a partnership) at the direction of the eligible employer or with whom the eligible employer does not deal at arm's length;
- any amount that is paid in respect of a week in the claim period, if, as part of an arrangement involving the eligible employee and the eligible employer:
  - the amount is in excess of the eligible employee's baseline remuneration,
  - after the claim period, the eligible employee is reasonably expected to be paid a lower weekly amount than their baseline remuneration, and
  - one of the main purposes for the arrangement is to increase the amount of the wage subsidy.

## **18. What is baseline remuneration?**

Baseline remuneration means the average weekly eligible remuneration paid to an eligible employee by an eligible employer during the period that begins on January 1, 2020 and ends on March 15, 2020. However, any period of seven or more consecutive days for which the employee was not remunerated is excluded from the calculation.

## **19. Will an eligible employer qualify for the wage subsidy in respect of eligible remuneration that it pays, if the amount is not taxable to the eligible employee?**

Eligible remuneration of an eligible employee means amounts for which the eligible employer would generally be required to make payroll deductions to be remitted to the CRA, irrespective of whether the amounts are taxable to the eligible employee. For example, salaries and wages paid to a status Indian <sup>3</sup> whose income is exempt from tax under a specific provision of the Act are considered eligible remuneration and would qualify for the purpose of calculating the wage subsidy.

## **Calculating the wage subsidy**

### **20. How is the wage subsidy calculated?**

For an eligible employer that qualifies for the wage subsidy, the amount of the wage subsidy for a claim period is the total of the following amounts in respect of the claim period (there is no overall limit on the wage subsidy amount that an eligible employer may claim):

- I. Total of all amounts, each of which is for an eligible employee in respect of a week in the claim period, equal to the greater of
  - a. the least of
    - i. 75% of eligible remuneration paid to the eligible employee in respect of that week,
    - ii. \$847, and
    - iii. if the eligible employee does not deal at arm's length with the eligible employer in the claim period, \$0, and
  - b. the least of
    - i. the amount of eligible remuneration paid to the eligible employee in respect of that week,

- ii. 75% of baseline remuneration in respect of the eligible employee determined for that week, and
- iii. \$847;

II. Total of the employer contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan for an eligible employee for each week in the claim period throughout which week that employee is on leave with pay and for which claim period the employer is eligible for the wage subsidy for the employee (Note).

Less:

III. Total of all amounts eligible to be claimed under the 10% Temporary Wage Subsidy for Employers, by the eligible employer that qualifies for the Canada Emergency Wage Subsidy for the claim period; and

IV. Total of all amounts received by the eligible employee for each week in the claim period as a work-sharing benefit under the Employment Insurance Act.

**Note:** In general, for the amount in (II), an eligible employee will be considered to be on leave with pay throughout a week if that employee is remunerated by the eligible employer for that week but does not perform any work for the employer in that week. This amount in (II), would not be available for eligible employees that are on leave with pay for only a portion of a week.

► Example 10

**Note:** As can be seen from the above example, where the eligible remuneration is equal to or less than 75% of the baseline remuneration for an eligible employee, the employer is eligible for 100% wage subsidy in respect of that employee (in this case, salary paid to Ken during the claim period).

▶ Example 11

▶ Example 12

## **21. Will I be eligible for both the Canada Emergency Wage Subsidy and the 10% Temporary Wage Subsidy for Employers?**

You may be eligible for both the Canada Emergency Wage Subsidy and the 10% Temporary Wage Subsidy for Employers. However, for an eligible employer that is eligible for both subsidies for a period, all amounts eligible to be claimed under the 10% Temporary Wage Subsidy for remuneration paid in a specific claim period would reduce the amount available to be claimed under the wage subsidy in that same period.

Specifically, with respect to the 10% Temporary Wage Subsidy for Employers, if the income taxes you deduct with respect to the remuneration you paid are not sufficient to offset the value of the subsidy in that period, you can reduce future payroll remittances to benefit from the subsidy. However, the entire amount eligible to be claimed under the 10% Temporary Wage Subsidy will be applied to reduce the Canada Emergency Wage Subsidy for the claim period in which the remuneration is paid.

▶ Example 13

## **22. Can I claim the wage subsidy for an eligible employee even if they were hired after March 15, 2020?**

Yes, an eligible employer may be able to claim the wage subsidy for eligible remuneration paid to eligible employees hired after March 15, 2020.

However, for an eligible employee that does not deal at arm's-length with the eligible employer, it may be able to claim the wage subsidy only if that employee was employed by the eligible employer and has received eligible remuneration during the period from January 1, 2020 to March 15, 2020 (baseline remuneration).

▶ Example 14

### **23. Can an eligible employer claim the wage subsidy for an eligible employee even if they do not deal at arm's length with each other?**

An eligible employer may be eligible to claim the wage subsidy in respect of an eligible employee who does not deal at arm's length with it, provided the individual was an eligible employee of the eligible employer anytime during the period beginning January 1 and ending March 15, 2020, and received eligible remuneration at that time (baseline remuneration).

▶ Example 15

### **24. Is there a special rule for the amount of wage subsidy that can be claimed if an eligible employee is employed by two or more eligible employers?**

Generally, there is no limit on the wage subsidy amount that an eligible employer may claim or the total number of eligible employees it could employ during the claim period. However, there is a special rule where an eligible employee is employed in a week by two or more eligible employers that do not deal with each other at arm's length. In this situation, the total amount of wage subsidy in respect of the eligible employee for that week cannot exceed the amount that would arise if the eligible employee's eligible remuneration for that week were paid by only one eligible employer that qualifies for the wage subsidy.

## 25. Is the wage subsidy considered taxable income?

Yes. The wage subsidy received by an eligible employer is considered assistance received from a government immediately before the end of the claim period to which it relates. The amount is taxable and is to be included in the computing the income of the eligible employer. The eligible remuneration paid to the employee will be a deductible expense for the employer.

However, the wage subsidy received by the eligible employer will not be included in the calculation of its qualifying revenue.

## Claiming the wage subsidy

### 26. When can I claim the wage subsidy?

Eligible employers that qualify to claim the wage subsidy will be able to apply to the CRA starting on April 27, 2020.

Applications in respect of a claim period can be made only after the end of the claim period, provided the eligible employer has paid the eligible remuneration that it is claiming for that period.

Additionally, wage subsidy applications must be made before October 2020.

### 27. How do I claim the wage subsidy?

Eligible employers will be able to apply for the wage subsidy through the CRA's **My Business Account** portal or the Web Forms application.

**Note:** The online applications are currently being developed.

Representatives (authorized at a level 2 or 3) will be able to apply for the wage subsidy on behalf of their clients through the Represent a Client service, as well as through the Web Forms application.

To log in to or register for the CRA's online services, go to [canada.ca/taxes-business-online](https://canada.ca/taxes-business-online).

To use the Web Forms application, or if you have misplaced or do not have a web access code, go to [canada.ca/taxes-iref](https://canada.ca/taxes-iref).

When completing the application, you will need:

- your payroll program account number (123456789RP0001, for example);
- to know which claim period you are applying for;
- all of the information necessary to complete the applicable fields in the application.

The processing of the wage subsidy will be performed at the payroll program account level, so you will have to file a separate application for each payroll program account. For example, if you have two payroll program accounts (123456789RP0001 and 123456789RP0002, for example) and are claiming wage subsidy for eligible employees under each account, you must file 2 separate applications.

When you apply for the wage subsidy, you will be asked to enter amounts such as the number of eligible employees and total eligible remuneration paid to those employees during the claim period. To get ready, we have created a web page where you can determine these amounts and preview your subsidy now, based on information you enter. For more information, go to [Calculate your subsidy amount](#).

Upon completion of your application, you will be required to keep records supporting your wage subsidy claim (see Q33).

## **28. How soon can I expect to receive my wage subsidy after applying?**

For most complete applications that pass our system validations, a payment will be issued automatically, though some applications may be selected for a pre-claim review.

While delays may occur if additional review is required or the CRA needs to contact you, you can generally expect to receive your payment within 10 business days if you are registered for direct deposit on your payroll account.

If you are not registered for direct deposit, please allow additional time for your cheque to be delivered by mail to the address on your payroll account.

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada. To enrol for direct deposit or to update your banking information, go to [Direct deposit](#).

**Note:** If you are expecting an amount of \$25 million or more, you need to be registered for both [direct deposit](#) and the [Large Value Transfer System](#).

## **29. Are there any special T4 reporting requirements for the wage subsidy?**

Employers will be expected to report the amount of the wage subsidy 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.

More information on the T4 reporting requirements will be released before the end of the year.

## **30. Will the wage subsidy be automatically applied against outstanding debt?**

No, wage subsidy payments will not be automatically applied against any outstanding debt you have with the CRA.

However, the legislation gives the CRA the ability to administer the wage subsidy program fairly and reasonably and allows for a common-sense approach to dealing with situations that prevent compliance with our tax laws.

The CRA does have the discretion to reduce the amount of the wage subsidy payment if an applicant owes or are about to owe a debt and the CRA determines there is a risk of not collecting all or part of your tax debt.

### **31. Will the CRA withhold my wage subsidy because of outstanding returns?**

No, wage subsidy payments will not be automatically withheld because of outstanding returns under the Income Tax Act or the Excise Tax Act (as well as certain other tax related laws).

However, the legislation gives the CRA the ability to administer the wage subsidy program fairly and reasonably and allows for a common-sense approach to dealing with situations that prevent compliance with our tax laws.

The CRA does have the discretion to withhold the amount of the wage subsidy payment in cases where there is a significant history of not complying with a duty or obligation under our tax laws.

## **Ensuring Compliance**

### **32. How will the CRA Ensure Compliance?**

The CRA will use a combination of automated queries and validation within its data, follow-up phone calls to verify certain elements of the claim when necessary, and more comprehensive post-payment reviews or audits.

The CRA will monitor the initial intake of claims and adjust its queries as necessary. The extent of future post-payment reviews will depend on the conclusions the CRA reaches as it reviews the intake of claims.

As with the CERB, the CRA is actively monitoring the situation to ensure that compliance with the tax laws is assured.

In order to maintain the integrity of the program and to ensure that it helps Canadians keep their jobs, the employer would be required to repay amounts paid under the wage subsidy if they do not meet the eligibility requirements.

### **33. What books and records do I need to support my claim?**

The CRA expects that you will maintain adequate books and records to ensure that your claim is accurate and complete, and clearly supports your eligibility for the wage subsidy for a claim period.

Books and records includes ledgers, journals, financial statements, contracts, elections, calculations or other working papers, payroll records, sales invoices and any other relevant document. For additional information about adequate records and recordkeeping, please see What are records and who has to keep them?

To support the claim in your wage subsidy application that your revenue for a current reference period has declined sufficiently from the relevant prior reference period, adequate calculations should generally be prepared and maintained through working papers. In situations where a small

employer does not maintain detailed monthly records, the CRA will be reasonable; however, any assumptions made in any calculation should be included in the documentation and available for review if requested.

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. Dividends and other ineligible remuneration should be recognized and then clearly indicated as having been removed from the calculation. Supporting documentation should be retained.

A signed attestation, and record of any elections made for the purposes of determining your qualifying revenue, must also be maintained and made available to the CRA upon request.

### **34. Are there penalties for non-compliance?**

Yes. Due to a specific anti-avoidance rule, an employer will not be eligible to claim the wage subsidy for a current reference period if the employer (or a person or partnership that does not deal at arm's-length with that employer) participates in a plan that has one of the main purposes of effectively reducing the employer's qualifying revenues for the current reference period, in order to qualify for the subsidy. Where this anti-avoidance rule applies, the employer will be liable to a penalty equal to 25% of the amount of wage subsidy that is claimed in its application, and will have to pay back any wage subsidy that it received. If an employer knowingly, or under circumstances amounting to gross negligence, generally makes, or is involved in the making of a false statement or omission in its wage subsidy application for a claim period, the employer is liable to a penalty (commonly referred to as the "gross negligence

penalty”) of up to 50% of the difference between the amount of wage subsidy that it claimed in its application and the amount of wage subsidy to which it is actually entitled.

Penalties may apply in cases of fraudulent claims. The penalties may include fines or even imprisonment.

Finally, if a person (such as an accountant or tax preparer) files or prepares the wage subsidy application on behalf of the employer, they could be subject to a third-party penalty under the Act, if they know, or would reasonably be expected to know, that the application contains false statements, including an omission of information. Third-party penalties are explained in detail in the CRA's [Information Circular IC01-1, Third-Party Civil Penalties](#).

### **35. Will the CRA publish a list of employers that have applied for the CEWS?**

Yes. The Act authorizes the CRA to publish the name of any eligible employer that makes an application for the wage subsidy. The CRA will provide updates regarding the timely publication of a list or registry of wage subsidy applicants. The process for making this information available is still under consideration.

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## **Footnotes**

- 1 If the eligible employer meets the 15% required reduction in revenue for the first claim period - March 15 to April 11, 2020, it will be deemed to have met the 30% required reduction in revenue for the second claim period - April 12 to May 9, 2020 (see Table 2).
  - 2 For the required reduction in revenue to qualify to claim the wage subsidy under the general and alternative approach see Table 1
  - 3 We use the term "Indian" because it has a legal meaning in the Indian Act.
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