

Nishnawbe Aski Nation

COVID-19 BULLETIN

Changes to The Canada Emergency Wage Subsidy (CEWS)

August 11, 2020

BACKGROUND

On March 27th, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS). The goal is to provide businesses facing pandemic-related hardships funds exclusively for payroll purposes to keep people employed. CEWS was initially intended to last for a three-month period ending in June and was first extended to August. On July 17th, the Government announced proposed changes to the program, and on August 11th the government updated the CEWS website implementing the program changes for claim period 5 (July 5 to August 1).

Key changes to CEWS as of claim period 5:

- The subsidy rate varies, depending on how much your revenue dropped.
- If your revenue drop was less than 30% you can still qualify, and keep getting the subsidy as employees return to work and your revenue recovers.
- Employers who were hardest hit over a period of three months get a higher amount.
- Employees who were unpaid for 14 or more days can now be included in your calculation.
- Use the current period's revenue drop or the previous period's, whichever works in your favour:
 - $_{\odot}\,$ for periods 5 and 6, if your revenue dropped at least 30%, your subsidy rate will be at least 75%.
- Even if your revenue has not dropped for the claim period, you can still qualify if your average revenue over the previous three months dropped more than 50%.
- The maximum base subsidy rate is 60% in claim periods 5 and 6.



• The maximum base subsidy rate will begin to decline in claim period 7, gradually reducing to 20% in period 9.

Full details: <u>https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-what-changes.html</u>

General Infographic: <u>https://www.canada.ca/content/dam/cra-arc/serv-info/tax/business/topics/cews/infographic-1-en.pdf</u>

KEY-POINTS

Eligible Employers

- Individuals/sole proprietorships (including trusts).
- Taxable corporations.
- Persons that are exempt from corporate tax (Part I of the Income Tax Act), other than public institutions:
 - non-profit organizations.
 - agricultural organizations.
 - boards of trade.
 - chambers of commerce.
 - non-profit corporations for scientific research and experimental development.
 - labour organizations or societies.
 - \circ $\;$ benevolent or fraternal benefit societies or orders.
- Registered charities.
- Partnerships consisting of eligible employers.
- Certain Indigenous Government-owned Corporations.

Public institutions are not eligible for the subsidy. This includes municipalities and local governments, Crown corporations, public universities, colleges, schools and hospitals.

Where do First Nation Businesses Fit In?

When initially announced, there was confusion as to whether First Nation owned (or jointly owned) businesses would be treated as "Public Bodies." The program was amended to reflect the eligibility of certain Indigenous Government-owned corporations in June.



Revenue Requirements and Eligibility Periods

| Period dates | Baseline revenue | Eligibility period revenue | Required red uction |
|--|--|--|---|
| March 15, 2020 to April 11, 2020 | March 2019, or Average of January and February 2020 | March 2020 | 15% |
| April 12, 2020 to May 9, 2020 | April 2019, or Average of January and February 2020 | April 2020 | 30% |
| May 10, 2020 to June 6, 2020 | May 2019, or Average of January and February 2020 | May 2020 | 30% |
| June 7, 2020 to July 4, 2020 | June 2019, or Average of January and February 2020 | June 2020 | 30% |
| July 5 to August 1, 2020 (application period opens on August 17) | July 2020 over July 2019, or June 2020 over June 2019 | July 2020 over average of January and February 2020, or June 2020 over average of January and February 2020 | No Minimum Required Drop in Revenue |

Subsidy Amounts

CEWS was originally intended to top up 75% of eligible workers salaries up to a maximum dollar amount of \$847 per week with the employer responsible for the remaining 25%.



What's Changing?

For claim periods 5 and later (claims that cover July 5, 2020, and later), there is no minimum revenue drop required to qualify for the subsidy. The rate your revenue has dropped is only used to calculate how much subsidy you receive for these periods.

For claim periods <u>5 and 6 ONLY</u>, you can use the calculation from period 4 (the "safe harbour" rule):

 If you have a revenue drop of 30% or more, then you qualify for 75% of the <u>eligible employees'</u> remuneration, up to a maximum of \$847/week; or

For claim periods 5 to 9:

- you can use the **new calculation**, as outlined below.
- you may also qualify for a **top-up.**

Note: Claim periods 7 and forward must use the new calculations

The new calculation is based on the percentage of revenue drop, the more your revenue has dropped the higher your subsidy amount.

| Claim period | Revenue drop of 50% or more | Revenue drop of less than 50% |
|-----------------|-----------------------------|-------------------------------|
| Period 5 | 60% | 1.2 x revenue drop |
| Period 6 | 60% | 1.2 x revenue drop |
| Period 7 | 50% | 1.0 x revenue drop |
| Period 8 | 40% | 0.8 x revenue drop |
| Period 9 | 20% | 0.4 x revenue drop |

Base CEWS rate for claim periods 5 to 9

Subsidy Infographic: <u>https://www.canada.ca/content/dam/cra-arc/serv-info/tax/business/topics/cews/infographic-2-en.pdf</u>



HOW TO APPLY

Applications must be made through business accounts on the CRA website. Businesses can also designate a representative to complete the application on their behalf (restrictions apply.)

There are calculators and spreadsheets available online to assist with the application process.

Full details on eligibility, application requirements, and the application process are available here: <u>https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html</u>

FAQ: <u>https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-frequently-asked-questions.html</u>

