

September 2, 2020

RE: Changes to the Canada Emergency Wage Subsidy (CEWS) Program

Dear Brothers and Sisters in Christ,

The government has made a number of significant changes to the Canada Emergency Wage Subsidy (CEWS) program to make it available to more employers along with changes to the amount of support that is available to an employer from July 5, 2020 onwards. The revised program has been extended until December 31, 2020, however, at present the rules have only been outlined to November 21, 2020. The CEWS is intended to help employers who have experienced a loss in revenue during Covid 19 to retain their employees, including employees whose hours have been reduced, rehiring employees previously laid off and employees on paid leave (where an employee is being paid by the employer for a week but does not perform any work for the employer in the week).

What has changed?

The calculation of the wage subsidy has changed allowing eligible employers with any level of revenue decline, for qualifying periods from July 5, 2020 forward, to qualify for a subsidy proportional to the percentage of revenue decline. In addition, a “top-up” subsidy of up to 25% is also available if an employer has a decline in revenue of 50% or more. Revenue drop can be calculated in a number of different ways and you can choose the way that works best for you.

Please note that the calculation of the wage subsidy amounts for periods before July 5, 2020 has not changed.

New Subsidy

For periods from July 5, 2020 onwards the subsidy is calculated on a sliding scale that consists of two parts:

- **Base Subsidy**-this applies to employers who have experienced any level of revenue decline in a period
- **Top-up subsidy**- a top-up of up to 25% that applies to employers that have a three month average revenue decline of greater than 50% in a period.

The Base Subsidy will be applied at a “specified rate” on remuneration of up to \$1,129 per week, with the “specified rate” being determined based on the percentage decline in

an eligible employer's monthly revenues, capped at a set percentage where the revenue reduction exceeds 50%. The greater an employer' revenue decline in a period, the larger the subsidy entitlement.

The maximum Base Subsidy rate will apply where an employer experiences a revenue decline of 50% or more. The maximum Base Subsidy rate will be gradually reduced from 60% in Periods 5 and 6 (July 5 – August 1) to 20% in Period 9 (October 25-Nov 21) as shown in the chart below.

Base Subsidy

Revenue Reduction Percentage	Period 5 July 5 to August 1	Period 6 August 2 to August 29	Period 7 August 30 to Sept 26	Period 8 Sept 27 to October 24	Period 9 October 25- Nov 21
50% and over	60%	60%	50%	40%	20%
0-49%	1.2 x revenue decline (e.g. 1.2 x 20% = 24% base CEWS rate)	1.2 x revenue decline (e.g. 1.2 x 20% = 24% base CEWS rate)	1.0 x revenue decline (e.g. 1.0 x 20% = 20% base CEWS rate)	.8 x revenue decline (e.g. .8 x 20% = 16% base CEWS rate)	.4 x revenue decline (e.g. .4 x 20% = 8% base CEWS rate)
Maximum weekly base subsidy benefit per employee	Up to \$ 677	Up to \$ 677	Up to \$ 565	Up to \$ 452	Up to \$ 226

Top-Up Subsidy

The top-up subsidy of up to 25% is available for employers who experience a three month average revenue decline of more than 50%. For each period the top-up percentage is the lesser of 25% or the amount determined by the formula. As with the Base Subsidy, the Top-Up Subsidy is calculated on a maximum remuneration of \$1,129 per week.

3-month Average Revenue Decline	Top-up Percentage	Top-Up Calculation 1.25% x (3 month revenue decline – 50%)
70% and over	25%	1.25 x (70% - 50) = 25%
65%	18.75%	1.25 x (65% - 50) = 18.75%
60%	12.5%	1.25 x (60% - 50) = 12.5%
55%	6.25%	1.25 x (55% - 50) = 6.25%
50% and under	0%	1.25 x (50% - 50) = 0%

For the periods from July 5, 2020 to August 1, 2020 and August 2, 2020 to August 29, 2020 employers who would have been entitled to a larger percentage subsidy under the original rules can calculate their subsidy under the original rules rather than the sliding scale calculation. The original rules provided that if an employer's revenue declined by at least 30% for a particular period they would be eligible for a wage subsidy equal to 75% of the wages paid to an Employee for a week (up to \$ 847 per week).

Calculating Revenue Decline

Employers can choose between two different methods to calculate a decline in revenue:

1. The greater of a comparison in revenue for the current month to the same monthly period in 2019 and the previous month to the same month in 2019, or
2. A comparison can be made against the current month against the average revenue for January and February, 2020, or the previous month to the average of January and February 2020.

The revenue decline for the top-up subsidy is measured differently than the Base Subsidy. The top up subsidy uses the amount by which an employer's average revenue over a current three-month period has declined from an average revenue over the same period in 2019 or the employer can use the revenue from January and February 2020 instead of the corresponding three-month period in 2019.

Employers may change the approach that they used in Periods 1 to 4 going forward. The chosen approach will apply for Period 5 onwards and will apply to the calculation of both the Base Subsidy and the Top-up Subsidy (if any).

Maximum Base and Top-up Subsidy

	Period 5 July 5 to August 1	Period 6 August 2 to August 29	Period 7 August 30 to Sept 26	Period 8 Sept 27 to October 24	Period 9 October 25- Nov 21
Maximum Weekly Benefit per employee	Up to \$960	Up to \$960	Up to \$847	Up to \$734	Up to \$508

Payroll Number Requirement

Under the original CEWS rules employers had to have a payroll account with CRA, this has changed so that employers that use a payroll provider's payroll account may now qualify for CEWS.

Eligible Employee

The definition of eligible employee has been amended from July 5, 2020 so that employees who are without remuneration for more than 14 consecutive days in a wage claiming period are eligible for the subsidy. An eligible employee now means any individual employed in Canada in a qualifying period. This change removes the onus from the employer for determining which employees received the Canada Emergency Response Benefit (CERB) in the period.

Remuneration

The definition eligible remuneration remains unchanged. Remuneration includes salary or wages plus the housing allowance and other remuneration that an employer would be required to withhold on such as on taxable benefits. Remuneration would not include the value of a parsonage or housing furnished by an employer.

Employees on Leave with Pay

If an employee is on leave with pay during a week in period 5 and 6, the amount of wage subsidy an employer may receive is calculated under the old rules (no top-up available) but the revenue decline can be anything more than zero. This means an employer will be eligible to receive 75% of the eligible remuneration paid to an employee on leave with pay (up to \$ 847 per week). The full rules for employees on leave with pay after August 30, 2020 have not been released.

Accounting Method

Employers may measure the decline in revenues on the basis of accrual or cash accounting but must apply it throughout the program. Charities have special provisions to calculate the revenue decrease and must include most forms of revenue including revenue

from a related business, gifts and other amounts included in the course of the charities ordinary activities. Revenue excludes the wage subsidy program amounts. Employers can choose to include funding from government sources as part of the calculation but must use a consistent approach throughout the program period.

Application Deadline

The deadline to file an application for CEWS for any qualifying period (including periods 1 to 4) has been extended to January 31, 2021. To receive the subsidy employers will have to keep detailed records demonstrating their reduction in revenues and remuneration paid to employees.

Further information on the CEWS Program is available on the government website <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-what-changes.html>

In His Service,



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