



TaxNewsFlash

Canada

Canada Bolsters Wage Subsidy and Announces New Support

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Certain employers may now be able to receive additional funds under the Canada Emergency Wage Subsidy (CEWS) for the next several months. The government announced new aspects of its plan to bolster Canada's economic recovery following the COVID-19 pandemic on October 9, 2020, including that it will maintain the current CEWS rate of up to a maximum of 65% of eligible wages until December 19, 2020 (previously, this rate was scheduled to go down to a maximum of 45% effective October 25, 2020), and confirmed that the subsidy would remain in place until June 2021. In addition, the government introduced a new Canada Emergency Rent Subsidy and a top-up Canada Emergency Rent Subsidy, and announced it would expand the Canada Emergency Business Account (CEBA).

Background

In response to COVID-19, Canada enacted fiscal and tax relief intended to support individuals and businesses. Among other measures, Canada introduced temporary wage subsidies for businesses. The CEWS is a temporary subsidy that is currently available from March 15, 2020 to December 19, 2020 and has been extended to the summer of 2021). When the CEWS was initially introduced it generally provided an amount to eligible employers equal to 75% of employees' eligible remuneration paid, up to a maximum of \$847 per week per eligible employee, and required employers to have seen a revenue decline of at least 30% for the particular period (15% for March 2020) in order to qualify.

Beginning July 5, 2020, the government expanded eligibility for the CEWS to employers who do not meet the previous 30% revenue threshold, and replaced the amount of the subsidy with a new two-part subsidy consisting of a "base" and a "top-up" amount. Under

the new rules, the amount of the wage subsidy an eligible employer could qualify for varies depending on their revenue decline, with a maximum combined subsidy of up to 85% of employees' eligible remuneration paid, up to a maximum of \$960 per week per eligible employee in July and August 2020. The amount of the maximum subsidy is gradually reduced throughout the remaining claim periods to November 21, 2020. Previously, the government said it would extend the subsidy through to the summer of 2021, but did not provide details on how the subsidy may be calculated for periods after November 21, 2020.

The CEWS was passed into law on April 11, 2020, and the application period opened on April 27, 2020. For details, see *TaxNewsFlash-Canada* 2020-62, "[Canada Further Extends and Expands Wage Subsidy](#)", *TaxNewsFlash-Canada* 2020-54, "[COVID-19 — Canada Seeks Changes to Relief Measures](#)", *TaxNewsFlash-Canada* 2020-47, "[Canada Extends 75% Wage Subsidy and Refines Eligibility](#)", *TaxNewsFlash-Canada* 2020-39, "[Employers — Canada's 75% Wage Subsidy Now Enacted](#)" and *TaxNewsFlash-Canada* 2020-41, "[Employers — Prepare to Apply for 75% Wage Subsidy](#)".

Canada Emergency Wage Subsidy

The government has now indicated that it will extend the CEWS until June 2021, and that it would maintain the current subsidy rate of up to a maximum of 65% of eligible wages until December 19, 2020. The government says that it intends to introduce legislation on this change soon.

Canada Emergency Rent Subsidy

The government announced a new Canada Emergency Rent Subsidy to be provided directly to qualifying tenants and property owners affected by COVID-19. This subsidy, which would be available until June 2021, subsidizes a percentage of expenses incurred by businesses, charities and non-profits that have suffered a revenue drop, on a sliding scale up to a maximum of 65% of eligible expenses, including rent and interest on commercial mortgages, until December 19, 2020. The government has not yet announced details of the program after December 19, 2020, and notes that the subsidy will be adapted and targeted as needed. Eligible organizations can retroactively claim the subsidy for the period that began September 27 and ends October 24, 2020.

In addition to the 65% subsidy, the government is also instituting a top-up Canada Emergency Rent Subsidy of 25% for organizations temporarily shut down due to a mandatory public health order issued by a qualifying public health authority. The government says that it will introduce legislation to implement the new Canada Emergency Rent Subsidy soon.

Canada Emergency Business Account

The government said it will expand the CEBA to provide eligible businesses and NPOs with an interest-free loan of up to \$20,000, in addition to the original CEBA loan of \$40,000. The government notes that 50% of this additional financing is forgivable if the balance is repaid by December 31, 2022. Further, the government will extend the CEBA's application deadline to December 31, 2020. The government notes that businesses will have to provide an attestation on how they have been affected by COVID-19 to access the additional financing. More details on this change, including the launch date and application process, are expected to be announced soon.

Stay connected on the latest COVID-19 developments

We continue to watch tax and legal issues related to the evolving COVID-19 situation and will provide further information as it becomes available. For the latest developments, see our dedicated COVID-19 site, [The Business Implications of Coronavirus](#).

We can help

It is important for businesses to understand the complexities of the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy.

As your trusted advisors, we're here to help. Because every business is unique, our experienced professionals may be able to assist you with establishing that the methodology you use to determine eligibility is consistent with similar organizations in your sector and across Canada. We can provide various levels of assistance to help you determine that you've assembled the appropriate documentation to support your claims, ranging from accounting advice and assistance, a specific procedures report or an audit report on financial information.

The subsidy may play a critical role in your imminent staffing decisions, so do not hesitate to reach out to us to discuss an action plan for your organization. Together, we can help your organization navigate these unprecedented times.

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