

## FTR Now

# Federal Government Introduces Changes to the Canada Emergency Wage Subsidy

**Date:** June 22, 2020

On June 10, 2020, the federal government introduced Bill C-17, [An Act respecting additional COVID-19 measures](#) (Bill C-17). Among other changes, if passed in its current form, Bill C-17 would amend the *Income Tax Act* to revise the eligibility criteria for the Canada Emergency Wage Subsidy (CEWS). This *FTR Now* focuses on the proposed changes to the CEWS, and should be read in conjunction with our previous legislative update dated [May 27, 2020](#).

Bill C-17 would make the following amendments to the CEWS eligibility criteria. With the exception of the changes for tax-exempt trusts, these changes are proposed to be retroactive to April 11, 2020, which means that they would apply to the first qualifying period starting March 15, 2020 and subsequent qualifying periods.

- **Baseline remuneration:** Eligible employers would be able to calculate “baseline remuneration” for an eligible employee using either the average weekly eligible remuneration paid to the employee from January 1, 2020 to March 15, 2020 or March 1, 2019 to May 31, 2019, in both cases excluding any period of seven or more consecutive days without remuneration during the period chosen. While an employer is not required to choose the same period for all of its employees, once it chooses a comparison period for an employee, it must use this method for all weeks for which it is claiming the subsidy.
- **Canada Revenue Agency (CRA) Payroll Account:** The definition of “qualifying entity” would be amended to include an employer where, on March 15, 2020, payroll administration for its employees was administered by a “payroll service provider,” and that provider used its own CRA payroll account to make source deduction remittances in respect of the employer’s employees. Currently, in order to qualify for the CEWS, an employer must have had its own CRA payroll account number on March 15, 2020.
- **Amalgamations:** Corporations formed on the amalgamation of two or more predecessor corporations, or where one corporation is wound up into another, would be permitted to calculate benchmark revenue for the CEWS revenue-decline test by using their combined revenues, unless it is reasonable to consider that one of the main purposes for the amalgamation (or the wind up) was to qualify for the CEWS.
- **Tax-Exempt Trusts:** Trusts with employees would continue to be eligible for the CEWS, subject to the following exceptions: in cases where the trust is a tax-exempt entity (other than a public institution), it would qualify only if it is a registered charity or one of the other types of eligible tax-exempt entities, and in cases where the trust is a public institution, it

would qualify only if it is a prescribed organization. This change is proposed to apply in respect of the third qualifying period (May 10 to June 6), and any subsequent qualifying period.

We are continuing to monitor updates regarding the CEWS. Bill C-17 remains at First Reading. As of the date of writing, the earliest time it might be passed is July 8, the next date Parliament is scheduled to sit.

Should you have any questions, please contact any member of our [Pension, Benefits and Executive Compensation practice group](#).