
Details Released on Canada's Emergency Wage Subsidy Program

By: Ryan Conlin

Many Canadian business owners have been awaiting an update on the terms and conditions of the wage subsidy program which was announced in March as part of Canada's COVID-19 Economic Response Plan. Today, the Canadian government released an update.

While many of the technical details are still unknown, Canada's Finance Minister Bill Morneau has confirmed that the wage subsidy will be applied at a rate of 75% on the first \$58,700.00 normally earned by employees of qualifying employers, representing a benefit of up to \$847.00 per week. The program will be in place for a 12-week period, retroactive to March 15, 2020 and ending on June 6, 2020. The Canadian government may extend the program if the COVID-19 situation lasts longer than expected.

To be eligible for the wage subsidy, an employer must suffer a drop of at least 30% in gross revenues due to COVID-19 in March, April or May when compared to the same month in 2019. For newer businesses, the government has suggested that some other method of demonstrating a reduction in revenues will be permitted. All businesses, other than those publicly funded, that can meet this requirement are eligible to apply.

The government has not yet disclosed whether businesses that cannot demonstrate a 30% drop in revenues, but have been engaging in layoffs for legitimate business reasons in response to the pandemic (whether now or are expecting to in the future) will have access to the subsidy. It is also unclear whether an employer can use the wage subsidy to pay an employee's common law or ESA working notice.

More technical details on the program's eligibility requirements are set to be released in the upcoming days.

As part of the program, the Canadian government is encouraging businesses to rehire employees that may have been laid off due to the pandemic. While not mandatory, the Canadian government has stated that it expects employers taking advantage of the subsidy to make best efforts to top up employees with an additional 25% of wages. Further details on what this means in practice has yet to be released, but employers may be required to "attest" that they are trying to do so.

Employers wishing to access the wage subsidy will be able to apply via a web portal on the Canada Revenue Agency website, which will open in the upcoming weeks. The government has estimated that it will take six weeks to receive the funds, however it is unclear whether that time runs from the date the employer applies or from the date the employer is approved for the program. Further, the program will not be funded through remittances. Funds are expected to be forwarded to employers via direct deposit.

The program is expected to cost the Canadian government \$71 billion.

Stringer LLP continues to monitor the situation closely and will provide updates on new developments as they occur.

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