

August CEWS Update

The changes to the Canada Emergency Wage Subsidy (CEWS) come into effect this week. Applications for claim period 5, covering July 5 to August 1, 2020 opened on August 17. This has expanded the assistance to include those who may not have previously qualified as a result of the 30% revenue drop requirement. The initial subsidy provided relief on 75% of eligible employee's remuneration, up to a maximum of \$847 per week per eligible employee covering the period from March 15 to July 4, 2020 (periods 1 to 4).

The updated subsidy covers 5 periods, in four-week increments, from July 5 to November 21, 2020 (periods 5 to 9). It includes a base subsidy that is available to all employers experiencing any decline in revenue, as well as a top-up subsidy for those who have experienced a revenue drop in excess of 50% over a three-month time span.

Safe harbour rule

Before mentioning the details of the adjustments to the subsidy, it is important to note that in periods 5 and 6, if an employer would have qualified under the previous 30% revenue drop requirements, it is permitted to utilize either the previous or the revised calculation in one or both of the periods in order to maximize the subsidy amount received. Beginning in period 7, the revised subsidy must be used.

Base subsidy

The maximum base subsidy that can be claimed is 60%, up to \$678 per week per employee as it is capped at remuneration of \$1,129. This is available to employers with a revenue decrease in excess of 50%. Employers with a

revenue decrease between 0%-49% would calculate the subsidy amount as a factor of 1.2 times the percentage drop in revenue. As an example, a 20% revenue drop would equate to a 24% subsidy to a maximum of \$271. Both the maximum base subsidy and the revenue factor decrease over the program as summarized in the following table:

	Periods 5 and 6	Period 7	Period 8	Period 9
Maximum base subsidy	60%	50%	40%	20%
Revenue drop factor	1.2 x	1.0 x	0.8x	0.4x
Maximum per employee	\$678	\$565	\$452	\$226

Top-up subsidy

When an employer has experienced a three-month revenue decrease in excess of 50%, an additional top-up subsidy is available. The top-up subsidy is determined as a factor of 1.25 times the percentage revenue decrease in excess of 50% to a maximum subsidy of 25%. This is limited to \$283 per week per employee as it is capped at the same \$1,129 of remuneration as the base subsidy. As an example, a 60% revenue drop would equate to a 12.5% top-up subsidy (10% x 1.25) to a maximum of \$142. Unlike the base subsidy, this factor does not decrease in subsequent periods.

Calculating the revenue decrease

The revenue decrease in the period for the base subsidy can be calculated one of two ways:

1. General approach: Qualifying revenue for the current reference period divided by the qualifying revenue for the previous reference period.
2. Alternative approach: Qualifying revenue for the current reference period divided by the average qualifying revenue for the months of January and February 2020.

Under either of the above approaches, if the decrease in the reference period is lower than that of the immediately preceding qualifying reference period then the decrease from that preceding period is used.

Once a decision has been made between the use of the general vs. the alternative approach, that method must be used for all subsequent periods. The one exception is, as the new rules come into effect for period 5, an employer can elect to either continue with the same approach as was used in periods 1-4 or can elect to change to the other approach for all of the claim periods 5-9.

The revenue decrease in the three-month period as required for the top-up subsidy also follows the general and alternative approach. However, as it covers a three-month period, the approaches utilize the average monthly qualifying revenue from the last three calendar months that ended prior to the current reference period for the claim. Under the general approach, this is divided by the average monthly qualifying revenue for same period in the preceding year. Under the alternative approach, this is divided by the average monthly qualifying revenue for January and February 2020.

Qualifying periods

Qualifying Period	Current Reference Period	Prior Reference Period
Period 1: March 15 – April 11	March 2020	March 2019
Period 2: April 12 – May 9	April 2020	April 2019
Period 3: May 10 – June 6	May 2020	May 2019
Period 4: June 7 – July 4	June 2020	June 2019
Period 5: July 5 – August 1	July 2020	July 2019
Period 6: August 2 – August 29	August 2020	August 2019
Period 7: August 30 – September 26	September 2020	September 2019
Period 8: September 27 – October 24	October 2020	October 2019
Period 9: October 25 – November 21	November 2020	November 2019
A prescribed period to be determined, ending no later than December 31		

Further Information:

For more information on the adjustments please visit the following links:

[Canada Emergency Wage Subsidy \(CEWS\) - What the changes are](#)

[FAQ - Canada Emergency Wage Subsidy \(CEWS\)](#)

We understand that this program is complex. If you require assistance, please reach out to us.

Regards,

A handwritten signature in black ink that reads "Dusanj & Wirk". The signature is written in a cursive, flowing style.

Dusanj & Wirk

www.dusanjwirk.com