

April 2, 2020 | Latest Updates

COVID-19: The Temporary Wage Subsidy (Federal Government)

What we know:

- The subsidy is paid to the company, not to the employee. Enrolling in direct deposit is therefore strongly recommended, if you have not already done so.
- It should take 3 to 6 weeks before the CRA application platform is available and then a delay of a few days to a few weeks before the payment is deposited into the business account.
- The companies will pay the salaries directly to their employees. Meanwhile, the CRA will pay the grant to the business. (So, there is the issue of a delay between the two transactions.)
- Companies eligible for this grant must demonstrate a decrease in turnover of at least 30% in March 2020 compared to March 2019 (same procedure for April and May).
- For start-ups or companies without a valid track record, eligibility will be determined by comparing monthly revenues to a reasonable benchmark.
- The grant is intended for a maximum duration of 3 months. Eligibility is based on the criteria below:
 - Proof of eligibility: to be repeated each month.
 - The amount of the subsidy is based on 75% of the gross salary, capped at an annual salary of \$58,700. This translates to a maximum of \$847/week per employee. The amount will be less if the employee's salary is lower than \$58,700.
 - Companies are strongly encouraged to make up the difference (25% + the \$58,700 surplus), but this is not mandatory.
 - There is no maximum for the number of employees. (Which means there's no limit for the number of applications per employer.)
 - The grant is retroactive. (Applicable to salaries paid since March 15, 2020)
 - **Small and large businesses are eligible, including NGOs.**

- A verification system will be put in place to prevent abuse and fraudulent manipulation (severe penalties to be foreseen).
- Businesses that were expecting growth and instead experience stagnation or a decrease in sales equivalent to less than 30% loss of revenue will not qualify.
- This 75% subsidy does not replace the 10% subsidy (max. \$1,375/employee or \$25,000/company) but rather complements it, contrary to what was previously communicated.

The questions that remain:

- Are shareholders (who were not previously employees) eligible?
Unfortunately, no details on this subject at this time.
- Here's what the government specifies for employee shareholders:

A particular rule will be applicable to employees with a dependency relationship to the employer. The amount of the subsidy for these employees will be limited to eligible earnings paid in any pay period (between March 15 and June 6, 2020), up to a maximum weekly benefit of \$847, or 75% of the employee's pre-crisis weekly earnings.

The challenges to consider:

- How do you determine if your business qualifies?
- How do you build a file to demonstrate eligibility? (your accountant can advise you)
- How to ensure that you receive the funds as quickly as possible?
- How can you manage cash flow over the next few weeks and months?

Here is a link to a grid, prepared by Le chiffre. Updated daily, you will find a complete summary of financial measures related to COVID-19:

<https://lechiffre.atlassian.net/l/c/2i7CJbp1>

In French