

Temporary Wage Subsidy for Employers [10% subsidy]

April 7, 2020 - Updated

Based on additional information published by the Department of Finance and Canada Revenue Agency (“CRA”), we have updated the previous announcement which we distributed on March 23, 2020.

The Temporary Wage Subsidy for Employers (“TWSE”) is a three-month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA.

Eligible employers are defined as:

- Employer’s that are considered the following:
 - Individual / Sole Proprietor (excluding trusts),
 - Partnership (see note (i) below),
 - Non-profit organization,
 - Registered charity, or
 - Canadian-controlled private corporation (“CCPC”) eligible for the small business deduction (see (ii) note below);
- The employer must have an existing business number and payroll program account with the CRA on March 18, 2020; and
- pay salary, wages, bonuses, or other remuneration to an eligible employee.

Note (i): Partnerships are only eligible for the subsidy if their members consist exclusively of individuals (excluding trusts), registered charities, or CCPCs eligible for the small business deduction.

Note (ii): CCPCs will only be considered as eligible for the small business deduction if their taxable capital for the preceding year, calculated on an associated group basis, was less than \$15,000,000.

Subsidy amount:

- The subsidy is equal to 10% of the remuneration the employer pays from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee and to a maximum of \$25,000 total per employer.
- Associated CCPCs will not be required to share the maximum subsidy of \$25,000 per employer.

How to receive the subsidy:

- Eligible employers will continue to deduct payroll tax withholdings [i.e. income tax, Canada Pension Plan (“CPP”), and Employment Insurance (“EI”) premiums] from salary, wages, bonuses or other remunerations paid to employees as would normally be the case.
- The subsidy is deducted at the time when the employer remits these payroll tax withholdings to CRA.
- Once an eligible employer has calculated their subsidy, the employer would reduce the current (or future) payroll tax withholding remittances being paid to CRA.
- The subsidy amount is not automatically calculated by the CRA, the eligible employer must calculate it or request that their payroll provider adjust their payroll tax remittances for the subsidy.
- Remittance of CPP contributions or EI premiums cannot be reduced using this subsidy. Employers must continue remitting the CPP contributions and EI premiums that they deducted from their employees, as well as the employer’s share of CPP contributions and EI premiums, to the CRA. The subsidy applies only towards the income tax component.
- If the subsidy exceeds the payroll tax remittances, the employer may reduce future payroll tax remittances to benefit from the subsidy. For example, if the employer calculated a subsidy of \$2,050 on remuneration paid from March 18, 2020 to June 19, 2020, but only deducted \$1,050 of income tax from their employees, the employer can reduce a future payroll remittance by \$1,000, even if that remittance is in respect to remuneration paid after June 19, 2020.

It is important to keep in mind that a subsidy received from a government is considered taxable income. Eligible employers who receive this benefit will have to include the amount as income in the year it is received. Presumably, non-profit organizations and charities will not have to pay tax on the benefit received because they are generally exempt from income tax.

Books and records:

An eligible employer will need to keep the following information to support the subsidy calculation:

- the total remuneration paid from March 18, 2020 to June 19, 2020;
- the income tax that was deducted from that remuneration; and
- the number of eligible employees paid in that period.

Example #1:

XYZ Corporation is a CCPC and an eligible employer. It employs six people. In its first payroll period ending after March 17, 2020, it paid each employee gross wages of \$4,000 as remuneration for work performed on March 18, 2020 and later. XYZ Corporation would be entitled to reduce the income tax portion of its payroll remittance by \$2,400 (i.e. \$4,000 x 10% x 6 employees). It would be limited to future subsidies of \$975 [\$1,375 - \$400] per employee that could be claimed for work performed up to June 20, 2020.

Example #2:

ABC Corporation and DEF Corporation are associated corporations because they are both controlled by the same person. Both corporations are CCPCs and eligible employers. ABC Corporation has 20 employees and has gross payroll for its first pay period ending after March 17, 2020 of \$100,000 for work performed on March 18, 2020 and later. During this current pay period, none of its employees had gross salary of more than \$13,750 for work performed on March 18, 2020 and later. DEF Corporation has one employee and it paid a bonus to him of \$150,000 on March 20, 2020. ABC Corporation can reduce its payroll remittance for the current payroll period by \$10,000 (i.e. \$100,000 x 10%), and DEF can reduce its payroll remittance for the current period by \$1,375 (i.e. the maximum

limit per employee). ABC Corporation will have the ability to claim a future TWSE of up to \$15,000; however, concurrently, it will also need to ensure that it does not exceed the \$1,375 per employee limit. DEF Corporation will not be eligible to claim any more TWSE unless it employs additional employees and pays remuneration to them before June 20, 2020.

Can an employer still qualify for the 75% wage subsidy if it claimed the TWSE?

- If the conditions for the 75% subsidy are also met (see our memorandum issued on April 2, 2020 on the [Canada Emergency Wage Subsidy](#)) the employer will also be eligible for the 75% wage subsidy. However, the amount received under the TWSE (10% wage subsidy) for remuneration paid would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy (75% wage subsidy).