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Federal Budget 2021 Extends the Canada Emergency Wage Subsidy (CEWS)

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The CEWS provides a subsidy to eligible employers who have experienced a decline in monthly revenue compared to a baseline monthly revenue amount in 2019 or 2020.

New legislation has been introduced as part of the [2021 Federal Budget](#) to extend the CEWS program for four additional four-week periods, beginning June 3, 2021 and ending September 25, 2021. There are no significant changes to the overall calculations of the CEWS in these additional four periods; however, the percentages used to calculate the CEWS will result in a decline in the amount of government support over Periods 17 to 20. The reduction in CEWS support reflects the expected recovery of the Canadian economy over the next few months. See Table 1 for details on the calculation of the CEWS for Periods 17 to 20.

Beginning in Period 18 (July 4 to July 31, 2021), a business must demonstrate a revenue decline of over 10 per cent to be eligible for the CEWS. This is a change from prior periods where any percentage decrease in monthly revenues meant a business may be eligible. For Periods 17 to 20, the maximum remuneration eligible for the CEWS remains the same as previous periods, \$1,129 per employee per week; however, the maximum benefit per employee per week is scheduled to decrease as per Table 1.

Table 1: CEWS Calculation for Periods 17 to 20 (Active Employees)

	Period 17: June 6-July 3	Period 18: July 4-July 31	Period 19: Aug. 1 -Aug. 28	Period 20: Aug. 29-Sept. 25	Period 21: Sept. 26-Oct. 23
Maximum weekly benefit per employee*	\$847	\$677	\$452	\$452	\$226
Revenue decline:					
70% and over	75% (i.e., Base: 40% + Top-up: 35%)	60% (i.e., Base: 35% + Top-up: 25%)	40% (i.e., Base: 25% + Top-up: 15%)	40% (i.e., Base: 25% + Top-up: 15%)	20% (i.e., Base: 10% + Top-up: 10%)
50-69%	Base: 40% + Top-up: (revenue decline - 50%) x 1.75 (e.g., 40% + (60% revenue decline - 50%) x 1.75 = 57.5% subsidy rate)	Base: 35% + Top-up: (revenue decline - 50%) x 1.25 (e.g., 35% + (60% revenue decline - 50%) x 1.25 = 47.5% subsidy rate)	Base: 25% + Top-up: (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x 0.75 = 32.5% subsidy rate)	Base: 25% + Top-up: (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x 0.75 = 32.5% subsidy rate)	Base: 10% + Top-up: (revenue decline - 50%) x 0.5 (e.g., 10% + (60% revenue decline - 50%) x 0.5 = 15% subsidy rate)
>10-50%	Base: revenue decline x 0.8 (e.g., 30% revenue decline x 0.8 = 24% subsidy rate)	Base: (revenue decline - 10%) x 0.875 (e.g., (30% revenue decline - 10%) x 0.875 = 17.5% subsidy rate)	Base: (revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	Base: (revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	Base: (revenue decline - 10%) x 0.25 (e.g., (30% revenue decline - 10%) x 0.25 = 5% subsidy rate)
0-10%	Base: revenue decline x 0.8 (e.g., 5% revenue decline x 0.8 = 4% subsidy rate)	0%	0%	0%	0%

Subsequent to the publishing of the article on May 26, 2021, the federal government announced an extension to the CEWS on July 30, 2021 and a change to the CEWS rate for Period 20. The CEWS was extended to Period 21, ending October 23, 2021. Furthermore, CEWS rates for Period 20 remain the same as Period 19 and the decline in the CEWS rates now occurs in Period 21. The table above reflects these changes.

Table 2: CEWS Reference Periods and Filing Deadlines

CEWS Period	Qualifying Weeks	Current Reference Period	Prior Reference Period	Filing Deadline
1	Mar. 15 – Apr. 11, 2020	Mar. 2020	Mar. 2019 or the average of Jan./Feb. 2020	Jan. 31, 2021
2	Apr. 12 – May 9, 2020	Apr. 2020	Apr. 2019 or the average of Jan./Feb. 2020	Jan. 31, 2021
3	May 10 – June 6, 2020	May 2020	May 2019 or the average of Jan./Feb. 2020	Jan. 31, 2021
4	June 7 – July 4, 2020	June 2020	June 2019 or the average of Jan./Feb. 2020	Jan. 31, 2021
5	July 5 – Aug. 1, 2020	July 2020	July 2019 or the average of Jan./Feb. 2020	Jan. 31, 2021
6	Aug. 2 – Aug. 29, 2020	Aug. 2020	Aug. 2019 or the average of Jan./Feb. 2020	Feb. 25, 2021
7	Aug. 30 – Sept. 26, 2020	Sept. 2020	Sept. 2019 or the average of Jan./Feb. 2020	Mar. 25, 2021
8	Sept. 27 – Oct. 24, 2020	Oct. 2020	Oct. 2019 or the average of Jan./Feb. 2020	Apr. 22, 2021
9	Oct. 25 – Nov. 21, 2020	Nov. 2020	Nov. 2019 or the average of Jan./Feb. 2020	May 20, 2021
10	Nov. 22 – Dec. 19, 2020	Dec. 2020	Dec. 2019 or the average of Jan./Feb. 2020	June 17, 2021
11	Dec. 20 – Jan. 16, 2021	Dec. 2020	Dec. 2019 or the average of Jan./Feb. 2020	July 15, 2021
12	Jan. 17 – Feb. 13, 2021	Jan. 2021	Jan. 2020 or the average of Jan./Feb. 2020	Aug. 12, 2021
13	Feb. 14 – Mar. 13, 2021	Feb. 2021	Feb. 2020 or the average of Jan./Feb. 2020	Sept. 9, 2021
14	Mar. 14 – Apr. 10, 2021	Mar. 2021	Mar. 2019 or the average of Jan./Feb. 2020	Oct. 7, 2021
15	Apr. 11 – May 8, 2021	Apr. 2021	Apr. 2019 or the average of Jan./Feb. 2020	Nov. 4, 2021
16	May 9 – June 5, 2021	May 2021	May 2019 or the average of Jan./Feb. 2020	Dec. 2, 2021
17	June 6 – July 3, 2021	June 2021	June 2019 or the average of Jan./Feb. 2020	Dec. 30, 2021
18	July 4 – July 31, 2021	July 2021	July 2019 or the average of Jan./Feb. 2020	Jan. 27, 2022
19	Aug. 1 – Aug. 28, 2021	Aug. 2021	Aug. 2019 or the average of Jan./Feb. 2020	Feb. 24, 2022
20	Aug. 29 – Sept. 25, 2021	Sept. 2021	Sept. 2019 or the average of Jan./Feb. 2020	Mar. 24, 2022
21	Sept 26 – Oct 23, 2021	Oct. 2021	Oct. 2019 or the average of Jan./Feb. 2020	April 21, 2022

Note: The periods highlighted are no longer eligible for application. However, they may be eligible for late-filing if certain criteria are met discussed in the CRA's late-filing/amendment policy below.

To maintain consistency with the benefits under the Employment Insurance (**EI**) program, the amount of the CEWS in respect of furloughed (leave with pay) employees for Periods 17, 18 and 19 will continue to be equal to the lesser of:

- The amount of eligible remuneration paid for the week; and
- The greater of:
 - \$500; and
 - 55 per cent of the baseline remuneration, up to a maximum of \$595.

For Period 20, no CEWS may be claimed for furloughed employees.

Clawback of the CEWS for Executive Compensation

The 2021 Federal Budget introduced a clawback of the CEWS for publicly traded companies where the aggregate compensation for “specified executives” during the 2021 calendar year exceeds the aggregate compensation for “specified executives” in the 2019 calendar year. Specified executives include those whose names must be reported on the entity’s Statement of Executive Compensation under National Instrument 51-102. This may include executive officers of the publicly traded corporation as well as executive officers of controlled subsidiaries of the publicly traded parent company. The clawback will apply to CEWS claims for periods that begin after June 5, 2021 (i.e. Period 17 and onward).

The amount of the CEWS clawback will be equal to the lesser of:

- The total amount of the CEWS received with respect to active employees for periods beginning after June 5, 2021; and
- The amount by which the aggregate specified executives’ compensation for 2021 exceeds the aggregate specified executives’ 2019 compensation (limited to the five highest grossing individuals).

The amount of the overpayment will be calculated on an aggregate basis and may be repaid by any one of the eligible entities in the group. For example, if there is an overpayment determined in respect of a publicly traded parent company and its subsidiary, either the parent or the subsidiary may make the repayment on behalf of the other party. This will be done by filing an agreement pursuant to a prescribed form, allocating the executive compensation repayment amount to each entity.

Where a company has an off-calendar year, the executive compensation will need to be calculated by prorating the aggregate specified executive compensation by the number of days that fall within the calendar year.

The CRA’s CEWS Late-Filing/Amendment Policy

On April 21, 2021, the CRA posted an update on their CEWS Frequently Asked Questions webpage clarifying the conditions which may allow an entity to late file an initial CEWS claim or provide an amendment to a previously filed claim.

Late filing a downward CEWS adjustment

The CRA’s position is that a CEWS amendment resulting in a downward adjustment together with the repayment of the overclaimed CEWS can be made at any time, even after the legislative filing deadline for the applicable period has passed. The amended application may be submitted through My Business Account, Represent a Client, or by calling the Business Enquiries Line at the CRA if the CEWS was filed through the web application.

Late filing an upward CEWS adjustment

The CRA's position is that an adjustment to increase a previously filed CEWS claim may be late filed up to the later of the following dates:

- May 21, 2021; or
- 30 days after the applicable filing deadline.

In addition, an original CEWS application must have been made before the filing deadline and the adjustment is not a result of professional advice where the fee structure is dependent on the upward adjustment amount.

As well, in order to be accepted, either:

- The original application contained an arithmetic error, a transposition error, or an unintended omission of additional business activities or employment expenses;
- The original application relied on inaccurate information provided by the CRA that affected the ability to file the amended application on time;
- There was an identified CRA secure portal outage which prevented the amended application from being filed on time; or
- There was undue delay on the part of the CRA that resulted in the application being denied (such as a delay in setting up a payroll program account where the entity was originally using a payroll service provider).

To late file an amended CEWS claim resulting in an upwards adjustment, the claimant must first contact the CRA to obtain permission. The CRA will subsequently issue a Notice of Determination which will state whether the request to late file a CEWS amendment is accepted, adjusted, or denied.

Late filing an original CEWS claim

The same deadline applies for late filing an initial CEWS claim, i.e. the later of:

- May 21, 2021; or
- 30 days after the applicable filing deadline.

Again, the CRA must be contacted and a Notice of Determination confirming the entity's eligibility to late file the claim will be issued. A late filed original claim must also not be the result of professional advice where the fee structure is dependent on the accepted claim amount. In addition, one of the following conditions must be met:

- It is evident that an attempt was made to file the application on time, but there was an identified outage that prevented the application from being filed;
- It is evident that an attempt was made to file the election on time, but the entity's business account was suspended or there was some other account limitation that prevented the filing;
- It is evident that an attempt was made to file the election on time, but there was undue delay on the part of the CRA in receiving and processing the application before the deadline; or
- Inaccurate information was provided by the CRA which affected the ability to file the original application on time.

If you have questions related to the CEWS or any other measures from the 2021 Federal Budget, we encourage you to reach out to the Crowe Soberman Tax Group.

This article has been prepared for the general information of our clients. Please note that this publication should not be considered a substitute for personalized advice related to your situation.

Connect with the Author

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