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# Introduction to the Updated Wage and Rent Subsidy Regimes

Guo Chen, Kevin Yang

# **Eligibility requirements for the Tourism and Hospitality Recovery Program, Hardest-Hit Business Recovery Program, and Local Lockdown Program**

On December 17, 2021, the federal government introduced new COVID-19 subsidy programs for specific businesses and industries. The new programs aim to update the existing wage and property expense subsidy regimes for the seven 4-week periods beginning October 24, 2021 and ending May 7, 2022.

Under the new programs, the criteria for an entity to qualify for a wage or rent subsidy are more restrictive and additional requirements beyond a decline in monthly revenues will need to be met. This article will provide an overview of the updates to the wage and rent subsidy programs and how an entity may qualify. For simplicity, the periods will be referred to as Periods 22 to 28 to be consistent with the Canada Emergency Wage Subsidy (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) periods.

Period 21, ending October 23, 2021, was the final period under which an entity could apply for wage and rent subsidies under the existing CEWS and CERS programs. For Periods 22 to 28, an entity must meet the requirements under one of three programs to be eligible for a wage subsidy:

- 1) The Tourism and Hospitality Recovery Program (“THRP”)
- 2) The Hardest-Hit Business Recovery Program (“HHBRP”) or
- 3) The Canada Recovery Hiring Program

The computation of the wage and rent subsidy amounts under the THRP and HHBRP are similar to the CEWS and CERS programs and eligibility continues to be dependent on a business experiencing certain revenue decline thresholds. For entities that now qualify for a subsidy under more than one program, it is recommended that a calculation be computed under each program to ensure the highest subsidy amount is being claimed.

## **Tourism Hospitality Recovery Program**

Under the THRP, eligible businesses and organizations may be able to claim both a wage and rent subsidy. To qualify, either businesses and organizations in the tourism, hospitality, arts, entertainment, and recreation sector must continue to be significantly impacted by the COVID-19 pandemic and meet the definition of a “qualifying tourism or hospitality entity”, or non-tourism and hospitality businesses must be subject to a qualifying public health restriction under the Local Lockdown Program.

A qualifying tourism or hospitality entity must meet the following conditions:

- More than 50 per cent of its revenues must come from activities in the tourism, hospitality, arts, entertainment, or recreation industry. Businesses that may qualify include hotels, motels and cottages; restaurants, food trucks, bars and nightclubs; travel agencies and tour guide operators; sports facilities, casinos, theatres, arcades, and boating docks (specifically excluding golf-related activities, country clubs, and professional sports clubs teams or leagues); and those that host artistic or cultural events, or offer charter bus services, airports and boats;
- The prior year revenue decline must be greater than or equal to 40 per cent. This is a one-time calculation of the average monthly revenue decline from March 2020 to February 2021, consistent with the manner and elections used in the business’ calculation of revenue decline for CEWS purposes; and
- The entity must experience a revenue decline in the current period or prior period of 40 per cent or more.

If an entity does not meet the qualifications above, it may still qualify for the THRP under the Local Lockdown Program criteria if:

- Activities at one or more of its business locations have ceased for seven or more days in the claim period due to a public health restriction;
- The activities at the business locations subject to the public health restriction must account for at least 25 per cent of the total revenue of the entity during the prior reference period; and
- The entity must have experienced a revenue decline in the current period or prior period of 40 per cent or more.

There is no requirement for an entity to have a prior year revenue decline of 40 per cent or more in order to qualify under the Local Lockdown Program.

### ***Temporary Expansion of Eligibility for the THRP for Periods 24 through 26***

In light of the recent public health restrictions imposed as a result of the new Omicron variant, the government has temporarily expanded the eligibility under the Local Lockdown Program. The extended eligibility for the Local Lockdown Program is effective for Periods 24 through 26 only, the claim periods between December 19, 2021 and March 12, 2022.

Under the pre-existing rules, all of the activities of a business at a particular location are required to cease due to a public health restriction. The temporary expanded eligibility, applicable to Periods 24 through 26 only, allows businesses to qualify that are still carrying on their activities but are subject to a capacity-limiting restriction. Additionally, the temporary expanded eligibility permits a business to qualify under the Local Lockdown Program in Periods 24 through 26 if one or more of its locations is subject to a public health order reducing the entity's capacity at that particular location by 50 per cent or more, and the public health order-restricted activities accounted for at least 50 per cent of the entity's total revenues in the prior reference period.

The requirement for the current revenue decline has also been temporarily relaxed from 40 per cent to 25 per cent for Periods 24 through 26.

Table 1 and Table 2 below detail the calculation of the wage subsidy and rent subsidy rates for Periods 22 to 28 under the THRP.

**Table 1: Wage Subsidy Rates for Periods 22 to 28 under the Tourism and Hospitality Recovery Program**

	<b>Period 22 to Period 23</b>	<b>Period 24 to Period 26</b>	<b>Period 27 to Period 28</b>
<b>Applicable Dates</b>	October 24, 2021- December 18, 2021	December 19, 2021- March 12, 2022	March 13, 2022- May 7, 2022
<b>Maximum weekly benefit per eligible employee</b>	\$847	\$847	\$423
<b>Revenue decline</b>			
<b>75% or more</b>	75%	75%	37.5%
<b>40% to &lt;75%</b>	Same as revenue decline	Same as revenue decline	50% x revenue decline
<b>25% to &lt;40%</b>	Nil	Same as revenue decline	Nil
<b>0% to &lt;25%</b>	Nil	Nil	Nil

**Table 2: Rent and Property Expense Subsidy Rates for Periods 22 to 28 Under the Tourism and Hospitality Recovery Program**

	Period 22 to Period 23	Period 24 to Period 26	Period 27 to Period 28
<b>Applicable Dates</b>	October 24, 2021- December 18, 2021	December 19, 2021- March 12, 2022	March 13, 2022- May 7, 2022
<b>Base Subsidy – based on revenue decline</b>			
<b>75% or more</b>	75%	75%	37.5%
<b>40% to &lt;75%</b>	Same as revenue decline	Same as revenue decline	50% x revenue decline
<b>25% to &lt;40%</b>	Nil	Same as revenue decline	Nil
<b>0% to &lt;25%</b>	Nil	Nil	Nil
<b>Top-up subsidy*</b>	25%	25%	25%

\*The top-up subsidy rate represents the maximum rate an entity may be entitled to. This rate would only apply if the qualifying entity was subject to a public health restriction throughout the entire claim period, otherwise, the top-up rate would be prorated by the number of days the qualifying property was subject to a public health restriction.

### Hardest-Hit Business Recovery Program

The HHBRP is a program intended to assist businesses and organizations who are not eligible for the THRP because they are either not in the tourism or hospitality industry or they have not been subject to a public health restriction but have still experienced a significant decline in revenue due to the impact of COVID-19. Similar to the THRP, a qualifying entity may be eligible to a wage and a rent subsidy under the HHBRP. To qualify, an entity must meet both of the following conditions:

- The prior year revenue decline must be greater than or equal to 50 per cent. This is a one-time calculation of the average monthly revenue decline from March 2020 to February 2021, consistent with the manner and elections used in the business' calculation of revenue decline for CEWS purposes; and
- The entity must experience a current period or prior period revenue decline of 50 per cent or more.

Table 3 and 4 below detail the calculation of the wage subsidy and rent subsidy rates for Periods 22 to 28 under the HHBRP.

**Table 3: Wage Subsidy Rates for Periods 22 to 28 Under the Hardest-Hit Business Recovery Program**

	Period 22 to Period 26	Period 27 to Period 28
<b>Applicable Dates</b>	October 24, 2021- December 18, 2021	December 19, 2021- March 12, 2022
<b>Maximum weekly benefit per eligible employee</b>	\$565	\$282
<b>Revenue decline</b>		
<b>75% or more</b>	50%	25%
<b>50% to &lt;75%</b>	10% + 1.6 x (revenue decline – 50%)	5% + 0.8 x (revenue decline – 50%)
<b>0% to &lt;50%</b>	Nil	Nil

**Table 4: Rent and Property Expense Subsidy Rates for Periods 22 to 28 Under the Hardest-Hit Business Recovery Program**

	<b>Period 22 to Period 26</b>	<b>Period 27 to Period 28</b>
<b>Applicable Dates</b>	October 24, 2021- March 12, 2022	March 13, 2022- May 7, 2022
<b>Base Subsidy – based on revenue decline</b>		
<b>75% or more</b>	50%	25%
<b>50% to &lt;75%</b>	$10\% + 1.6 \times (\text{revenue decline} - 50\%)$	$5\% + 0.8 \times (\text{revenue decline} - 50\%)$
<b>0% to &lt;50%</b>	Nil	Nil
<b>Top-up subsidy*</b>	25%	25%

\*The top-up subsidy rate represents the maximum rate an entity may be entitled to. This rate would only apply if the qualifying entity was subject to a public health restriction throughout the entire claim period, otherwise, the top-up rate would be prorated by the number of days the qualifying property was subject to a public health restriction.

**Table 5: Wage and Rent Subsidy Reference Periods**

<b>Subsidy Period</b>	<b>Qualifying Weeks</b>	<b>Current Reference Period</b>	<b>Prior Reference Period</b>	<b>Filing Deadline</b>
<b>22</b>	Oct 24 – Nov 20, 2021	November 2021 or October 2021	November 2019 or October 2019 or the average of Jan/Feb 2020	May 19, 2022
<b>23</b>	Nov 21 – Dec 18, 2021	December 2021 or November 2021	December 2019 or November 2019 or the average of Jan/Feb 2020	June 16, 2022
<b>24</b>	Dec 19 – Jan 15, 2022	January 2022 or December 2021	January 2020 or December 2019 or the average of Jan/Feb 2020	July 14, 2022
<b>25</b>	Jan 16 – Feb 12, 2022	February 2022 or January 2022	February 2020 or January 2020 or the average of Jan/Feb 2020	August 11, 2022
<b>26</b>	Feb 13 – Mar 12, 2022	March 2022 or February 2022	March 2019 or February 2020 or the average of Jan/Feb 2020	September 8, 2022
<b>27</b>	Mar 13 – Apr 9, 2022	April 2022 or March 2022	April 2019 or March 2019 or the average of Jan/Feb 2020	October 6, 2022
<b>28</b>	Apr 10 – May 7, 2022	May 2022 or April 2022	May 2019 or April 2019 or the average of Jan/Feb 2020	November 3, 2022

Please reach out to Crowe Soberman's Tax Group if you have questions related to any of the [COVID-19 government relief measures and subsidy programs](#).

*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 Authors

### Guo Chen, Specialist, Tax Group

T: 647 288 2739  
E: [guo.chen@crowesoberman.com](mailto:guo.chen@crowesoberman.com)

### Kevin Yang, CPA, MAcc, Manager, Tax Group

T: 416 963 7215  
E: [kevin.yang@crowesoberman.com](mailto:kevin.yang@crowesoberman.com)

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