



Employers — No SUB “Top Up” for CERB Relief Payments

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Employers that set up a registered Supplementary Unemployment Benefit (SUB) plan with Service Canada to provide additional amounts to employees temporarily laid-off due to COVID-19 should ensure these employees are aware they will likely need to repay any amounts received under the Canada Emergency Response Benefit (CERB). Service Canada has now clarified that SUB plan payments of more than \$1,000 in a benefit period will disqualify an employee from collecting the CERB. These payments would have been allowed under the Employment Insurance (EI) rules to top up employees' EI benefits. As a result, employers who have already made payments of more than \$1,000 should advise employees that they must repay CERB amounts they may have received for the same benefit period.

Despite previous indications that SUB plan payments would not affect an employee's ability to access the CERB, Service Canada's new guidance states that these additional payments cannot be provided to workers who are receiving the CERB.

Background

Employers can establish a registered Supplementary Unemployment Benefit (SUB) plan with Service Canada to provide their employees with a 40% top-up payment of their EI benefits received during a period of unemployment due to a temporary layoff for, among other things, shortage of work. Until a plan is registered with Service Canada, any amounts paid are treated as earnings and may reduce the employee's EI benefits. However, once the plan is approved and registered, the top-up payments are not considered earnings that reduce the employees' EI benefits.

Individuals who became eligible for EI regular or sickness benefits on or after March 15, 2020 were automatically processed through the temporary Canada Emergency

Response Benefit (CERB) rather than through EI. An individual cannot choose to receive EI benefits instead of the CERB.

Eligible individuals can receive \$2,000 under the CERB, for a four-week period within the period beginning March 15, 2020 and ending on October 3, 2020, for up to 16 weeks in total. These individuals may also earn up to \$1,000 in employment or self-employment income in each benefit period, while continuing to qualify for the CERB. For further details of the CERB, see *TaxNewsFlash-Canada* 2020-29, “[Federal COVID-19 Relief — More Details Released](#)”.

New guidance provides clarity on SUB plans

The new guidance stipulates that, where an employer provides amounts to an employee that exceed the \$1,000 threshold for employment income for a particular benefit period under the CERB, those individuals must repay CERB amounts they received for the same benefit period.

In addition, the guidance clarifies that employers may continue to submit SUB plans to Service Canada to make payments to employees who are currently receiving EI regular or sickness benefits for claims that arose before March 15, 2020.

KPMG observations

Many employers may have structured differently to assist their employees through these temporary lay-offs in light of this new Service Canada guidance on SUB payments and the CERB, which was only released after the CERB automatically replaced EI regular or sickness benefits on March 15, 2020.

We can help

Your KPMG advisor can help you assess how COVID-19 may affect your tax obligations. We can also keep you abreast of any tax-related changes related to COVID-19 that you'll need to consider in the days and weeks ahead.

Stay connected on the latest COVID-19 developments

We continue to watch tax and legal issues related to the evolving COVID-19 situation and will provide further information as it becomes available. For the latest developments, see our dedicated COVID-19 site, [The Business Implications of Coronavirus](#).



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