



TaxNewsFlash

Canada

Canada Extends Rent and Wage Subsidies to October 2021

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Certain employers, qualifying tenants and property owners may continue to claim the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS) through to October 23, 2021. Previously, these subsidies were set to expire on September 25, 2021. The government has announced it will maintain the current CEWS and CERS rate of up to a maximum of 40% of eligible wages or eligible rent or property expenses from August 29, 2021 until September 25, 2021. For the new extended period of September 26, 2021 to October 23, 2021 (i.e., period 21), a maximum CEWS and CERS rate of 20% will apply and the Lockdown Support will continue to apply at a rate of 25%.

As part of these measures, which are intended to help Canadian businesses meet financial challenges due to COVID-19, the government has proposed further calculation adjustments for certain new businesses and confirmed that the wage subsidy for furloughed employees will end on August 28, 2021. The government also indicated it will extend the Canada Recovery Benefit (CRB), and other benefit programs until October 23, 2021 (from September 25, 2021).

Background

In response to COVID-19, Canada enacted fiscal and tax relief intended to support individuals and businesses. Among other measures, Canada introduced temporary wage subsidies for businesses. The CEWS is a temporary subsidy that is now currently available from March 15, 2020 to October 23, 2021. When the CEWS was initially introduced it generally provided an amount to eligible employers equal to 75% of employees' eligible remuneration paid, up to a maximum of \$847 per week per eligible

employee, and required employers to have seen a revenue decline of at least 30% for the particular period (15% for March 2020) in order to qualify.

The government later expanded eligibility for the CEWS for employers who did not meet the previous 30% revenue threshold, and replaced the amount of the subsidy with a new two-part subsidy consisting of a "base" and a "top-up" amount, beginning July 5, 2020. Under the revised rules, the amount of the wage subsidy an eligible employer could qualify for varies depending on their revenue decline. The maximum combined subsidy also varies depending on the qualifying period, and is currently a maximum of 40% of eligible remuneration paid, up to a maximum of \$452 per week per eligible employee (for the qualifying periods from August 1 – August 28). Further, the 2021 federal budget proposed to decrease the maximum subsidy to a maximum of 20% of eligible remuneration paid for the qualifying period of August 29, 2021 to September 25, 2021.

The government also introduced the Canada Emergency Rent Subsidy (CERS), beginning September 27, 2020, to provide support to qualifying tenants and property owners that have suffered a specified revenue drop (as calculated under the CEWS). Under the CERS, eligible tenants and property owners may currently claim a subsidy of up to 40% of eligible expenses (subject to certain limits) for the qualifying period of August 1, 2021 to August 28, 2021, depending on their revenue decline (reduced from the initial rate of up to 65% of eligible expenses). The 2021 federal budget proposed to decrease the subsidy rate to a maximum of 20% of eligible expenses for the qualifying period of August 29, 2021 to September 25, 2021. The government also introduced a Lockdown Support subsidy for eligible organizations that must cease operations or significantly limit their activities due to a public health order. To qualify for this additional subsidy, an organization must already qualify for the base Canada Emergency Rent Subsidy, and must either completely shut down a location, or cease some or all of the activities that account for at least 25% of the organization's pre-pandemic revenues at that location for at least a week, under a specified public health order issued as a result of the COVID-19 outbreak. For details, see *TaxNewsFlash-Canada* 2020-79, "[Canada Launches Rent Subsidy Support for Businesses](#)".

The government announced a new temporary Canada Recovery Hiring Program (CRHP) in its 2021 federal budget. This subsidy provides eligible employers with a subsidy of up to 50% on the incremental remuneration paid to eligible employees starting June 6, 2021, which reduces to 20% of incremental remuneration paid for the period of October 24, 2021 to November 20, 2021 (i.e., period 22). Note that employers can claim either the hiring subsidy or the CEWS for a particular qualifying period, but not both.

In the 2021 federal budget, Finance also announced rules to require certain publicly listed corporations, or a corporation controlled by those corporations, to repay the CEWS subsidies received for periods that begin after June 5, 2021. These corporations will be required to repay the CEWS if the aggregate compensation for specified executives during the 2021 calendar year exceeds such compensation for the 2019 calendar year.

For further details, see *TaxNewsFlash-Canada* 2021-23, "[Budget Brings Hiring Subsidy and Extends COVID-19 Support](#)".

CEWS, CERS and Lockdown Support extended

The government extends the CEWS and CERS for the new period of September 26, 2021 to October 23, 2021 (i.e., period 21). For this new period, a maximum CEWS and CERS rate of 20% would apply, and the Lockdown Support would continue to apply at a rate of 25%.

In addition, the government announces it will maintain the current CEWS and CERS subsidies at a maximum of 40% of eligible wages or eligible rent or property expenses for the qualifying periods from August 29 to September 25, 2021 (i.e., period 20), instead of reducing the rate to 20%, as previously proposed in the 2021 federal budget. As a result, the rates for period 20 are the same as those currently in use from August 1 to August 28, 2021 (i.e., period 19).

Canada Emergency Wage Subsidy

The government advises that employers will be able to claim the CEWS on eligible remuneration (subject to certain limits) as follows, depending on the qualifying period. Note that the maximum weekly benefit per employee is equal to the maximum combined base subsidy and top-up wage subsidy for the qualifying period applied to the amount of eligible remuneration paid to the employee for the qualifying period, on remuneration of up to \$1,129 per week.

Canada Emergency Wage Subsidy			
	Qualifying Periods		
	August 1 – August 28, 2021 (Period 19)	August 29 – September 25, 2021 (Period 20)	September 26 – October 23, 2021 (Period 21)
Maximum weekly benefit per employee	\$452 (i.e., \$1,129 x 40%)	\$452	\$226
Revenue Decline of 70% and over	40%	40%	20%
Revenue Decline of 50-69%	Base: 25% + Top-Up: (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x	25% + (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline -	10% + (revenue decline - 50%) x 0.5 (e.g., 10% + (60% revenue decline -

	0.75 = 32.5% subsidy rate)	50%) x 0.75 = 32.5% subsidy rate)	50%) x 0.5 = 15% subsidy rate)
Revenue Decline of >10-50%	(Revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	(Revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	(Revenue decline - 10%) x 0.25 (e.g., (30% revenue decline - 10%) x 0.25 = 5% subsidy rate)

Canada Emergency Rent Subsidy

The government advises that eligible tenants and property owners will be able to claim the CERS on eligible expenses (subject to certain limits) as follows, depending on the qualifying period. Note that expenses for each qualifying period are capped at \$75,000 per location and are subject to an overall cap of \$300,000 that is shared among affiliated entities. The government states that employers that used the general or alternative approach for prior CEWS periods must continue to use that same approach for the CERS.

Canada Emergency Rent Subsidy			
	Qualifying Periods		
	August 1 – August 28, 2021 (Period 19)	August 29 – September 25, 2021 (Period 20)	September 26 – October 23, 2021 (Period 21)
Revenue Decline of 70% and over	40%	40%	20%
Revenue Decline of 50-69%	25% + (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x 0.75 = 32.5% subsidy rate)	25% + (revenue decline - 50%) x 0.75 (e.g., 25% + (60% revenue decline - 50%) x 0.75 = 32.5% subsidy rate)	10% + (revenue decline - 50%) x 0.5 (e.g., 10% + (60% revenue decline - 50%) x 0.5 = 15% subsidy rate)
Revenue Decline of >10-50%	(Revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	(Revenue decline - 10%) x 0.625 (e.g., (30% revenue decline - 10%) x 0.625 = 12.5% subsidy rate)	(Revenue decline - 10%) x 0.25 (e.g., (30% revenue decline - 10%) x 0.25 = 5% subsidy rate)

The government notes that eligible employers would still also be able choose to apply for the new CRHP instead of the CEWS.

New relief for revenue decline calculation

Certain eligible organizations that began operating between March 1, 2019 and the onset of the pandemic may be able to elect to use the alternative approach to calculate certain revenue declines for additional periods for the CEWS, CERS and CRHP. Specifically, organizations that were not carrying on a business or otherwise carrying on ordinary activities on March 1, 2019 would be able to use the alternative approach, which compares an employer's monthly revenues to the average of its January 2020 and February 2020 revenues, for March 14 to July 3, 2021 (i.e., periods 14 to 17), even if they later switched to the general approach. Previously, some organizations that used the alternative approach from March 15 to July 4, 2020 (i.e., periods 1 to 4) and then switched to the general approach after July 5, 2020 (i.e., period 5) were required to continue to use the same approach for all qualifying periods as of Period 5.

Furloughed employees support ends August 28

The government has released legislative proposals to clarify that the wage subsidy for furloughed employees will conclude on August 28, 2021, including the subsidy for the employer's portion of contributions under the Canada Pension Plan, EI, the Quebec Pension Plan and the Quebec Parental Insurance Plan in respect of furloughed employees. Previously, the 2021 federal budget extended this support for the period from June 6 to August 28, 2021.

This weekly wage subsidy for a furloughed employee from June 6 to August 28, 2021 is calculated as the lesser of:

- The amount of eligible remuneration paid in respect of the week, and
- The greater of:
 - \$500, and
 - 55% of pre-crisis remuneration for the employee, up to a maximum subsidy amount of \$595.

Other COVID-19 benefit programs extended

The government has extended the Canada Recovery Benefit (CRB) to October 23, 2021 (from September 25, 2021). In addition, the government has increased the maximum number of weeks available for the CRB to 54 weeks (from 50 weeks) at a rate of \$300 per week. The government notes that it has ensured that the CRB is available to individuals who have exhausted their employment insurance (EI) benefits

The government has also extended the following benefits to October 23, 2021 (from September 25, 2021):

- The Canada Recovery Caregiving Benefit (CRCB)

- The Canada Recovery Sickness Benefit (CRSB).

We can help

It is important for businesses to understand the complexities of the CEWS, CERS and CRHP.

As your trusted advisors, we're here to help. Because every business is unique, our experienced professionals may be able to assist you with establishing that the methodology you use to determine eligibility is consistent with similar organizations in your sector and across Canada.

We can provide various levels of assistance to help you determine that you've assembled the appropriate documentation to support your claims, ranging from accounting advice and assistance, a specific procedures report or an audit report on financial information.

The subsidies may play a critical role in your imminent staffing decisions, so do not hesitate to reach out to us to discuss an action plan for your organization. Together, we can help your organization navigate these unprecedented times.

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