

# Temporary Wage Subsidy

A new program in response to COVID-19 that provides savings to employers by reducing the amount of income tax remittance on workers' wages.

Employers can reduce these income tax remittances by 10 percent for up to three months, up to a maximum of \$1,375 per employee. The maximum aggregate amount an employer can save is \$25,000.

## Who is eligible?

Several types of organizations have been specifically identified as eligible:

- 1 Canadian-controlled private corporations (CCPC) that are eligible for the small business deduction in the prior year.
- 2 Individuals, other than trusts (i.e., sole proprietorships)
- 3 Partnerships whose partners are all individuals, corporations or a registered charity
- 4 Non-profit organizations
- 5 Registered charities

## ⓘ Important

- With the new Canada Emergency Wage Subsidy (CEWS) being introduced on March 27, 2020, there are now two potential wage subsidies that an employer can apply for. Although the types of organizations that may apply for the CEWS is broader, only those organizations that experience at least a 30% decline in revenues comparing the current month to the same month last year would be eligible to claim it. If an organization is eligible for both, it may be more beneficial to apply for the CEWS and not the 10% wage subsidy; however, more details from the government on the CEWS are required to make this decision and to determine exactly how the interaction between the two subsidies would work. The [Department of Finance's website](#) states that any subsidy claimed under the 10% wage subsidy program for remuneration paid in a specific period would generally reduce the amount that can be claimed under the CEWS for that same period.
- CCPCs that are not eligible for the small business deduction in the prior year due to the recently introduced rules that grind down the business limit when passive income exceeds \$50,000 would still be eligible for the wage subsidy.
- CCPCs that do not have a taxation year that ends prior to March 18, 2020 (e.g., a corporation in its first year after incorporation or amalgamation) would still be entitled to the wage subsidy if they would have been eligible for the small business deduction had their taxation year ended immediately prior to March 18, 2020.
- CCPCs must have taxable capital employed in Canada for the preceding taxation year, calculated on an associated group basis, less than \$15 million.

*Note: associated companies are NOT required to share the \$25,000 per employer limit.*

## How it works

- The employer (or third-party payroll service provider) would calculate the income tax remittance, as usual.
- 10 percent of employee remuneration is manually calculated, up to a maximum of \$1,375 for each employee and \$25,000 total for the employer. The total of all these amounts is the “Wage Subsidy” for that period.
  - The Wage Subsidy is only the federal and provincial income taxes.
- The employer still withholds from the employee the full amount of the required income tax remittance (along with CPP and EI).
- The employer remits the income tax remittance less the Wage Subsidy (CPP and EI must also be remitted).
  - There is no relief for the EI/PPP portions as this is deemed to be held in trust by the employer.
- When the employer files its tax return for the taxation year in which the Wage Subsidy was claimed, the employer must include the amount of the Wage Subsidy for that year in its income (i.e., the Wage Subsidy is taxable).

## Eligible remittances

- Employers can start reducing remittances of federal, provincial or territorial income tax in the first remittance period that includes remuneration paid between March 18, 2020, and June 20, 2020.

- If the employer chooses not to reduce remittances during the year, they can still calculate the wage subsidy that they would have been entitled to between March 18, 2020 and June 20, 2020 and can either:
  - Request payment of the wage subsidy at the end of the year, or
  - Transfer the wage subsidy to next year’s remittance.

## Other items to note

- The wage subsidy applies to remuneration paid on or after March 18, 2020. Therefore, even if the pay accrued prior to March 18 but was paid on or after March 18 up to June 19, 2020, it still qualifies for the wage subsidy.
- Supporting documentation of the calculations should be kept (by either the employer or third-party payroll service provider). CRA is updating reporting requirements and more information will be provided in the near future.
- The organization must have an existing business number in respect of which they are registered to make remittances required as of March 18, 2020 (i.e., the date the measure was announced).
- The organization must employ one or more employees in Canada.

## Additional information

For further details on this program please see the Government of Canada’s official [news release](#) with all the measures or their [Wage Subsidy FAQ page](#).

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