

Update on \$25,000 Government Credit for Employers

The Government of Canada has released details describing its wage subsidy assistance program. The program provides eligible small business employers with a credit for 10% of pay for a three month period. This will be accomplished by reducing the corporate withholdings remitted to the government.

Key rules:

1. The subsidy is for wages paid to employees for the period from March 18 to June 20
2. Your business has an existing business number and payroll program account with the CRA on March 18, 2020. Large corporations with taxable capital in excess of \$15 million do not qualify
3. The 10% subsidy exists with two important maximums;
 1. No company can claim more than \$25,000
 2. The maximum per employee is \$1,375
4. Once your subsidy is calculated, you can reduce your current remittance of withholding income tax that you send to the CRA by the amount of the subsidy

Examples:

A simple example - you are operating a business with eight employees, and they each make \$10,000 per month. Your maximum subsidy per month will be \$8,000 ($\$10,000 \times 8 \text{ employees} \times 10\%$).

Other quick examples:

1. You operate a manufacturing business with two entities – one for sales and one for manufacturing. Each will be able to apply with its own \$25,000 maximum so that you could receive up to \$50,000
2. You operate a law firm with multiple Professional Corporations as partners. Each corporation will be eligible for its own credit on wages the professional corporation pays, and each partner should be notified to make the claim

Other information:

There is no prescribed form for eligible employers in calculating and claiming. All calculations will be done manually, and a copy should be kept by the employer in case the CRA asks to see it at a later date. For employers who use a payroll service, contact them directly as they may have the software to automatically calculate on your behalf.

A subsidy received from a government is considered taxable income. Eligible employers who receive this benefit are required to include the amount as income in the year it is received. Presumably, non-profit organizations and charities will not have to pay tax on the benefit received because they are generally exempt from income tax.

This link from the CRA provides additional information: [Frequently Asked Questions – Temporary Wage Subsidy for Employers - Canada.ca](#)

We are happy to help if you have implementation questions. Please reach out to [one of our partners](#) for more information.