

## Update on Economic Measures Announced by the Governments of Québec and Canada – COVID-19

This document contains updates as of April 8, 2020 on a key measure announced by the Government of Canada and on a new program announced by the Government of Québec:

- 1) Canada Emergency Wage Subsidy
- 2) Concerted Action Program for Maintaining Employment (PACME – COVID-19)

### Canada Emergency Wage Subsidy

The Government of Canada has relaxed the eligibility criteria for the Canada Emergency Wage Subsidy. Following pressure from businesspeople and unions, the government has admitted that March revenue will be less affected than that of April, given that the crisis only began on March 15. Businesses are now required to have seen a drop in revenue of 15% rather than 30% for the first application period in order to qualify. Furthermore, the government has recognized the difficulties high-growth firms may encounter in qualifying for this program. Businesses will therefore be given the choice to compare their gross revenue with that of the same month last year, or to compare their gross revenue for March, April and May 2020 with their average revenue for January and February 2020. Please note that businesses **must use the same method** each time they apply. As such, if a business decides to compare its gross revenue with March 2019 when filing the first application, it may not use its January and February 2020 average for the other two applications.

	Claiming period	Required reduction in revenue	Reference period for eligibility
Period 1	March 15 to April 11	15%	March 2020 revenue over: 1) March 2019 2) Average of January and February 2020
Period 2	April 12 to May 9	30%	April 2020 revenue over: 1) April 2019 2) Average of January and February 2020
Period 3	May 10 to June 6	30%	May 2020 revenue over: 1) May 2019 2) Average of January and February 2020

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## **Employee layoffs and paid leave: Expansion announced**

The government has announced an expansion of the Canada Emergency Wage Subsidy to encourage employers to re-hire their laid-off employees more quickly. Employers that qualify for the subsidy and that pay wages to an **employee on leave with pay** will be refunded the full amount of employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Québec Pension Plan and the Québec Parental Insurance Plan.

An employee will be considered to be on leave with pay if that employee is remunerated by the employer for a full week without performing any work for the employer in that week.

**Clarification:** This refund must be claimed at the same time as the subsidy. You must continue to remit employer contributions to each program as usual.

**Clarification:** This refund applies only to employees **on leave with pay**. If your employees have performed work in exchange for pay, you cannot claim employer-paid contributions to each program.

### **Clarification regarding calculation of the subsidy**

The government had already announced that employers would have to compare their gross revenue in order to be eligible for the subsidy; however, the method of calculation has now been clarified to make the subsidy accessible to more employers.

Given the wide variation in the time elapsed between revenue earned and received in certain sectors of the economy, revenue may be measured using the cash method of accounting or the accrual method of accounting. Note that only one method may be used for the purposes of qualifying for the subsidy. As such, if an application is made for Period 1 using cash accounting, this method must be used for all other periods as well. **Further details are expected.**

The government has also clarified the reference wage for calculation purposes. In previous announcements, the government had stated that the wage subsidy for arm's-length employees would be based on the following formula:

The greater of the following amounts:

- 75% of remuneration paid, up to a maximum weekly benefit of \$847
- The lesser of the following amounts:
  - Remuneration paid, up to a maximum weekly benefit of \$847
  - 75% of weekly remuneration **received by the employee prior to the crisis**

The Government of Canada clarified today that wages received by the employee prior to the crisis must be calculated based on average weekly remuneration paid between January 1 and March 15, 2020, inclusive. For the purposes of calculation, any period of seven days for which the employee received no remuneration shall be excluded. For example, wages received prior to the crisis by an employee hired on March 1 shall be the average weekly remuneration paid to them between March 1 and 15, inclusive.

We remind you that the wage subsidy for non-arm's-length employees is calculated using the following formula:

- The lesser of the following amounts:
  - Remuneration paid, up to a maximum weekly benefit of \$847
  - 75% of weekly remuneration **received by the employee prior to the crisis**

This special rule regarding non-arm's-length employees has the effect of disqualifying new non-arm's-length employees from the subsidy. Similarly, a wage increase for a non-arm's-length employee will not increase the subsidy.

For examples of how to calculate the subsidy, please refer to appendices I through VI at the following link: [Update – COVID-19](#).

### **Interaction with the Canada Emergency Response Benefit**

The government previously announced that wages paid to an employee who had applied for the Canada Emergency Response Benefit would not be eligible for the subsidy during the same qualifying period. The government has made this condition more flexible. Employee wage subsidies will be limited to employees who have not been without pay **for more than 14 consecutive days during a qualifying period**, which are from March 15 to April 11, from April 12 to May 9 and from May 10 to June 6.

This rule replaces the previous one stipulating that the employer could not apply for the subsidy for the same four-week period for which an employee had requested the Canada Emergency Response Benefit. Thanks to this measure, employers wishing to re-hire employees during **the first two weeks** of a qualifying period will no longer have to verify whether their employees have applied for the Canada Emergency Response Benefit for the same period.

The government would instead consider allowing employees who have been re-hired to cancel or reimburse the excess portion of the Canada Emergency Response Benefit. **Further details are expected.**

### **Filing an application**

Applications for the subsidy may be filed at the end of each application period using the Canada Revenue Agency's My Business Account portal. **Further details are expected.**

## **Concerted Action Program for Maintaining Employment (PACME – COVID-19)**

On April 6, 2020, the Government of Québec announced measures that will be of interest to businesses affected by the pandemic. This program from the Ministère du Travail, de l'Emploi et de la Solidarité sociale is being offered in collaboration with the Commission des partenaires du marché du travail and seeks to encourage employee capacity building during this period of economic slowdown.

The program is intended to reimburse the full amount of employee wages (up to \$25 per hour) as well as the full cost of training offered to employees. The following is a list of eligible expenses:

1. Wages of workers in training (excluding payroll taxes), up to \$25 per hour
2. Professional fees of consultants and trainers, up to \$150 per hour
3. Indirect expenses for trainers (travel, meals, accommodation, etc.), at actual cost
4. Indirect expenses for workers in training (travel, meals, accommodation, etc.), at actual cost
5. Expenses related to developing, adapting and purchasing teaching and learning materials, at actual cost
6. Equipment and supplies required to conduct training, at actual cost
7. Expenses related to developing and adapting content for training, at actual cost
8. Expenses related to converting on-site training to online training, at actual cost
9. Registration and other fees for the use of platforms, at actual cost
10. If applicable, management and administrative expenses (bank fees, equipment, supplies required to conduct training, etc.) incurred by a delegated authority, up to a maximum of 10% of eligible costs

This financial support covers 100% of expenses up to \$100,000 and 50% of expenses between \$100,000 and \$500,000. Note that businesses taking advantage of the Canada Emergency Wage Subsidy or the Temporary Wage Subsidy will only be able to claim the portion of wages they have actually paid, subsidy excluded.

Applications can be filed retroactively. The program will run from March 15 to September 30, 2020 and has been allocated a budget of \$100 million. The government will cease to accept applications once the budget has been reached, even if they are filed before September 30, 2020.

To be eligible, the regular activities of the business must have been affected by the COVID-19 pandemic, whether in the form of a suspension, reduction, increase or diversification. Given such broad eligibility criteria, a significant number of businesses could qualify. Employers and self-employed individuals (whether incorporated or not) with employees are among those eligible.

To apply for financial support through this program, you must contact the business counsellor for your region (see local employment centres: [Business counsellor](#)).

The government has compiled a list of organizations offering training activities. This list is not exhaustive and you are welcome to seek out trainers and training activities on your own. Regardless of how you go about it, eligible training activities are as follows (see the [list of organizations](#)):

1. Basic employee training
2. Francization
3. E-skills training
4. Ongoing training related to business operations, whether directly tied to the position held by the employee receiving training or not
5. Training recommended by professional associations
6. Training that has become necessary in order to resume business activities
7. Training related to a strategy to adjust or modify business activities in the context of economic uncertainty due to COVID-19, making it possible for the business to maintain or diversify its activities (sanitation, telework, etc.)
8. Requalification training for workers
9. Assessment of human resources duties, and others as required
10. HRM consulting (organizational communication, telework policy, employee engagement, planning labour requirements for maintaining and resuming activities, support for business diversification, etc.)
11. Coaching and management skills development

This program offers a very interesting opportunity for companies that are currently shut down and contemplating bringing their employees back soon. You could take advantage of the occasion to offer your employees remote training reimbursed at a rate of up to 100%. This program could also enable you to bring your employees back sooner, with the added advantage of updating their skills. We suggest you communicate with the counsellor for your region before starting on a training program to ensure you are eligible for this financial support. **We are awaiting further details on this program.**