

March 25, 2020

Payroll Tips on Accessing the Federal Wage Subsidy

On March 18, the federal government announced a wage subsidy. The details of that program are now much clearer. This tip sheet will help you claim the amount to which your organization is entitled.

Need help? Contact us at payroll@youngassociates.ca.

For those who'd rather DIY, here's how.

Who qualifies?

Charities, nonprofits and small businesses. If you are a small business owner, you will find the eligibility details [here](#).

You must have a payroll account (as of March 18), and you must be paying employees.

How much can I get?

Here's the government's language:

"The subsidy is equal to 10% of the remuneration you pay between March 18, 2020, and June 20, 2020, up to \$1,375 per employee and to a maximum of \$25,000 total per employer."

Many small organizations will not reach this maximum.

How do I calculate this?

1. Make a list of your employees, and their gross pay for this pay period.
2. Total the gross pay.
3. Calculate 10% of this amount.

Say your organization employs the following three people, and they're paid bi-weekly. The subsidy for one pay period would be calculated as follows:

Employee	Annual Gross Salary	Gross Salary This Pay Period
Sarah	65,000	2,500.00
Raj	48,500	1,865.38
Alice	42,500	1,634.62
Total Gross Pay		6,000.00
10% Federal Wage Subsidy		600.00

To calculate your subsidy for the three months of the program, make a list of paydays that fall between March 18 and June 20. Multiply the per-pay-period amount by the number of pay cycles.

This organization would claim a subsidy for the following pay periods:

Mar 20, Apr 3, Apr 17, May 1, May 15, May 29 and June 12

Read on - there's a risk of over-calculation! We will cover that below.

How do I claim it?

Reduce your source deductions remittance by the amount of the subsidy.

If you make your remittance on the 15th of the following month, you will accrue the month's payroll liabilities exactly as you normally would. When you make your remittance, you will reduce it by the amount of the subsidy.

If you use a payroll service, likely your remittance amount is withdrawn with each pay cycle. Your payroll service provider will manage the subsidy for you. They should be able to confirm how this will work for your organization.

Be careful - there's a risk of over-deducting! We will cover that below.

How are my employees affected by this?

They aren't. The subsidy goes to the employer. The intent is to give employers more resources in the hopes that this will stabilize organizations and their ability to retain staff during this crisis.

You will calculate your employees' net pay exactly as you usually do. Their remuneration does not change, and their net pay does not change.

What if I haven't started to claim it yet?

Don't panic! You have until the end of 2020 to claim the subsidy. In fact, you can claim it as part of your 2020 filing and have the credit transferred to 2021.

What if my organization is currently closed?

You can only claim the subsidy for amounts people are earning now, between March 18 and June 20. You cannot claim the subsidy on what you would have been paying - just on what you actually are paying during the three months of the subsidy.

Risk of claiming too much subsidy

Let's look more closely at the \$1,375 maximum per person. Remember, that's \$1,375 of subsidy for a three-month period. That equates to someone earning an annual salary of \$55,000.

You need to monitor your claims per person.

In the example above, Sarah's annual pay exceeds \$55,000. You can only claim \$1,375 for her. (If you took 10% of her gross pay for three months, you'd be claiming \$1,625.)

Risk of reducing your remittance by the wrong amount

You cannot touch EI or CPP! You must remit the full amount of EI and CPP with every pay period. (That's the employee deductions plus the matching employer contributions.)

The subsidy can only be used to reduce income tax payable.

If your income tax remittances are lower than your subsidy, that's ok -- CRA has provided a method of handling this. You can reduce your tax payable down to zero for the three months to June 20 -- and then continue to reduce future source deduction remittances until you have claimed the entire subsidy due to you.

Record Keeping

To ensure that you are meeting CRA record retention requirements please ensure that you are keeping detailed records of amounts paid, subsidy calculations and remittances.

How [Young Associates](#) can assist

If you're finding this overwhelming, we can assist! Our expert payroll department would be happy to work with you to guarantee that you claim the full amount of your federal wage subsidy entitlement.

We'd be happy to do a short consult to review the rules, make some calculations and get you started — or to work with you on your payroll for the next three months to ensure your remittances are accurate.

We'd also be happy to give you [a quote for full-service bookkeeping](#).

We work on the basis of fixed price agreements, so you'll know going in how much our work will cost — and we always offer a money-back guarantee: if you're not completely delighted with our service, we will, at your option, either refund the price or accept a portion of said price that reflects your level of satisfaction.

Contact us: payroll@youngassociates.ca

This tip sheet was created by Alicia McGuire PCP and the Young Associates team based on the best information available to us as of the date of posting. We are happy to receive your comments at payroll@youngassociates.ca.

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