

Canadian Tax & Legal Alert

COVID-19 – Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy: updates and new targeted COVID-19 programs

December 21, 2021

Overview

In response to COVID-19, the government introduced the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS) programs focused on providing financial assistance to Canadian businesses that have experienced a decline in revenues. Since the enactment of these programs, the government of Canada has continuously revised and amended the related legislation.

To learn more about the initial CEWS program and subsequent amendments, please refer to our previous tax alerts dated [April 13, 2020](#), [July 29, 2020](#), [October 29, 2020](#), [November 20, 2020](#), [February 3, 2021](#), and [May 19, 2021](#).

For more details regarding the CERS program, please refer to our previous tax alerts dated [November 20, 2020](#), [February 3, 2021](#), and [May 19, 2021](#).

The government also introduced the Canada Recovery Hiring Program (CRHP), available from qualifying periods 17 to 22 (June 6, 2021 to November 20, 2021). An eligible employer may claim the higher subsidy under either the CEWS program or the CRHP. For more details regarding the CRHP program, please refer to our previous tax alert dated [May 19, 2021](#).

Over the summer, the Department of Finance confirmed the extension of the CEWS and CERS programs until October 23, 2021. Changes were made to the prescribed base percentages and prescribed top-up percentages for CEWS and CERS for qualifying period 20 (August 29, 2021 to September 25, 2021) and qualifying period 21 (September 26, 2021 to October 23, 2021).

On October 21, 2021, the Department of Finance announced that following the expiration of CEWS and CERS programs on October 23, 2021, the government planned on extending the wage subsidy and rent subsidy relief under two new programs starting on October 24, 2021: the Tourism and Hospitality Recovery Program (THRP) and the Hardest-Hit Business Recovery Program (HHBRP). Additionally, the Department of Finance proposed to update the subsidy rate under the CRHP, and to extend this program until May 7, 2022.

Draft legislation reflecting the proposals announced on October 21, 2021 was tabled at the House of Commons under Bill C-2, *An Act to provide further support in response to COVID-19*, on November 24, 2021, which was enacted on December 16, 2021, and has received Royal Assent on December 17, 2021.

The key changes to the CEWS, CERS and CRHP programs, and a summary of the features of the new THRP and HHBRP programs are outlined below. Also, following further amendments proposed by the House of Commons Finance Committee, CEWS claims will be reduced where a publicly listed company paid a dividend on common shares to their shareholders, effective for claims filed following Royal Assent. These amendments are not intended to apply on a retroactive basis for claims previously filed.

Note that this alert will be limited to business incentives and it will not cover the Canada Worker Lockdown Benefit (CWLB), which is being proposed to replace its predecessor, the Canada Emergency Relief Benefit (CERB).

Contacts:

[Rob Jeffery](#)

National Tax Policy Leader
Tel.: 902-721-5593

[Guy Jason](#)

Tel.: 613-751-6674

[Stephen Lopes](#)

Tel.: 416-643-6927

[Maria Tsatas](#)

Tel.: 514-393-5220

[Louis Boivin](#)

Tel.: 418-696-3951

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Key updates on the various programs

Since our last Tax Alert ([May 19, 2021](#)), the most significant proposed changes to the various programs by the Department of Finance are as follows:

- **Extension** of the CEWS and CERS programs until October 23, 2021;
- **Continuation of gradual phasing out of CEWS base and top-up subsidy rates** with a revised maximum CEWS subsidy percentage of 40% for Period 20 and a new maximum CEWS subsidy percentage of 20% for Period 21;
- **Continuation of gradual phasing out of CERS base subsidy rates** with a revised maximum CERS base subsidy being 40% for Period 20 and a new maximum CERS base subsidy of 20% for Period 21;
- **25% rate for Lockdown Support (CERS) remains** for Periods 20 and 21;
- **Increase of subsidy rate under the CRHP** for Period 22 to 50%;
- **Extension of the CRHP** to May 7, 2022, and possibly a further extension to July 2, 2022;
- The introduction of the new **Tourism and Hospitality Recovery Program (THRP)**, available from October 24, 2021 to May 7, 2022, with authority to extend the program to July 2, 2022, to provide support for eligible businesses in the tourism and hospitality industry that have been heavily affected by the pandemic;
- The introduction of the new **Hardest Hit Business Recovery Program (HHBRP)**, available from October 24, 2021 to May 7, 2022, with authority to extend the program to July 2, 2022, to provide support to eligible organizations that have been deeply impacted by the effects of the pandemic and may not otherwise be eligible for the THRP;
- **A significant increase to the maximum qualifying rent expenses** that can be claimed under new programs from the previous \$300,000 per period to \$1M per period;
- **New support in the event of a public health lockdown** available to eligible organizations, allowing them to access the higher subsidy rates under THRP as opposed to HHBRP;
- **Amendment to the executive compensation repayment amount** calculation under new legislation.

Summary of changes

Additional claim periods

The legislation currently defines qualifying periods¹, each covering a four-week time frame, up to qualifying period 22 (October 24, 2021 to November 20, 2021). Bill C-2 sets out additional definitions for qualifying periods 23 to 28. The dates covered by Periods 20 to 28, and the corresponding current reference periods and prior reference periods, are as follows:

Claim period	Period covered	Current reference period	Prior reference period	Filing Deadline
Period 20	August 29, 2021 to September 25, 2021	September 2021	September 2019	March 24, 2022
Period 21	September 26, 2021 to October 23, 2021	October 2021	October 2019	April 21, 2022
Period 22	October 24, 2021 to November 20, 2021	November 2021	November 2019	May 19, 2022
Period 23	November 21, 2021 to December 18, 2021	December 2021	December 2019	June 16, 2022
Period 24	December 19, 2021 to January 15, 2022	January 2022	January 2020	July 14, 2022
Period 25	January 16, 2022 to February 12, 2022	February 2022	February 2020	August 11, 2022
Period 26	February 13, 2022 to March 12, 2022	March 2022	March 2019	September 8, 2022
Period 27	March 13, 2022 to April 9, 2022	April 2022	April 2019	October 6, 2022
Period 28	April 10, 2022 to May 7, 2022	May 2022	May 2019	November 3, 2022

Note that the CEWS and CERS are only enacted through Period 21, whereas CRHP has been enacted through Period 22.

CEWS – Revision to subsidy rates for qualifying periods 20 and 21

Previously, in respect of Period 20, Budget 2021 proposed a combined maximum CEWS subsidy (i.e., base rate + top-up) of 20%. Recent amendments to the legislation, in force as of August 12, 2021, increased the combined maximum CEWS subsidy for Period 20 from 20% to 40%.

Additionally, Bill C-2 establishes a combined maximum CEWS subsidy rate for Period 21 of 20%.

Details of the new CEWS subsidy rates for Periods 20 and 21 are set out below.

Changes to the base rate

The CEWS base rate is calculated by multiplying an eligible entity's revenue decline by the relevant factor for each period and is capped when the revenue decline exceeds 50%. Bill C-2 sets out a maximum base rate of 25% for Period 20 and 10% for Period 21, as depicted in the chart below.

Base rate for the purposes of the base component of the CEWS		
	Period 20	Period 21
Maximum per week per employee	\$452	\$226
Revenue decline	Subsidy %	Subsidy %
50% or more	25%	10%
> 10% - 50%	0.625 x (revenue decline - 10%)	0.25 x (revenue decline - 10%)
≤10%	0%	0%

Source: Deloitte

¹ The definition of the term "qualifying period" under subsection 125.7(1) of the Income Tax Act sets out the beginning and end of each qualifying period.

Note that the base rate calculation for Periods 20 and 21 leads to the exclusion of revenue declines of less than 10%. That is, only employers with a revenue decline of more than 10% can claim the CEWS.

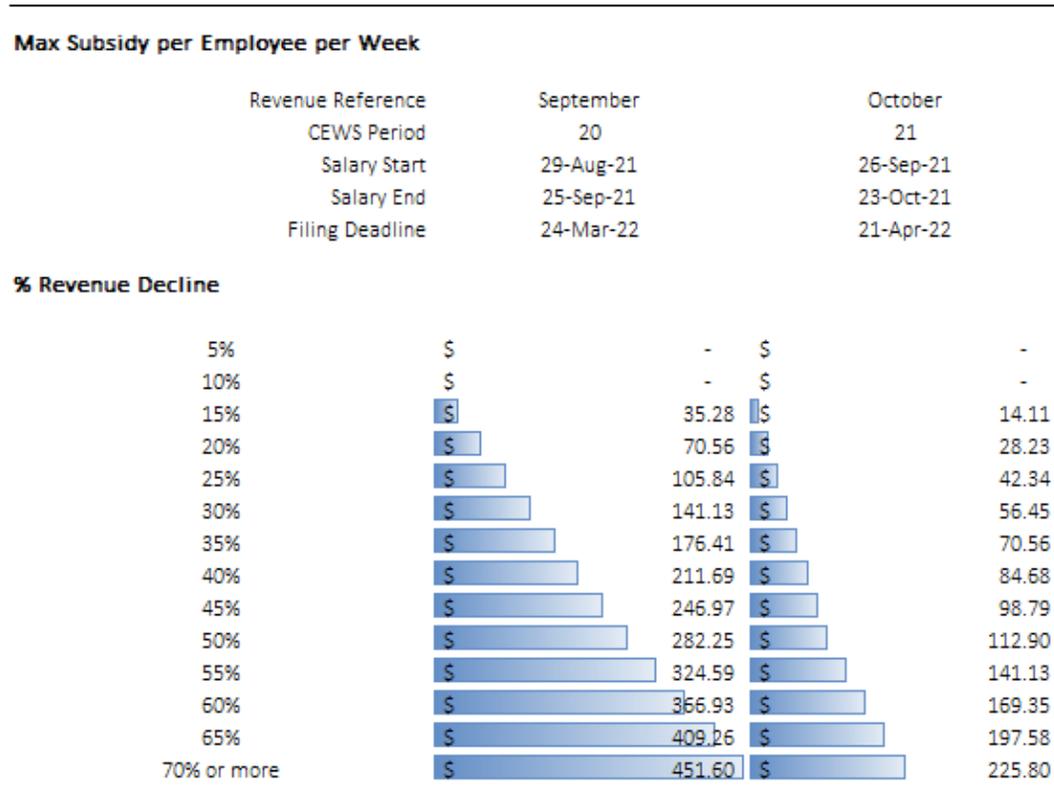
Changes to the top-up rate

Employers that experience a revenue decline of more than 50% are entitled to an additional top-up rate. Bill C-2 sets out a maximum top-up rate of 15% for Period 20 and 10% for Period 21, as depicted in the chart below.

Top-up rate for the purposes of the top-up component of the CEWS		
	Period 20	Period 21
Maximum per week per employee	\$452	\$226
Revenue decline	Subsidy %	Subsidy %
70% or more	15%	10%
> 50% - 70%	0.75 x (revenue decline - 50%)	0.5 x (revenue decline - 50%)

Source: Deloitte

A summary of the impact of the newly enacted changes on the maximum amount of subsidy available per employee per week has been illustrated in the table below.



For qualifying periods 20 and 21, the deeming rule continues to apply. That is, where an entity's revenues have recovered in a current period, paragraph 125.7(9)(b) will deem the current period decline to be the more significant decline of the current or immediately preceding period.

CEWS rate structure for furloughed employees

The CEWS subsidy is no longer available for furloughed employees starting from Period 20.

CERS – Revision to base subsidy rates for qualifying periods 20 and 21

Like CEWS, Budget 2021 previously proposed a CERS rent subsidy percentage (i.e., the rent base subsidy rate) of 20% for Period 20. Recent amendments to the legislation, in force August 12, 2021, increased the maximum CERS rent subsidy percentage for Period 20 from 20% to 40%.

Additionally, Bill C-2 establishes a maximum CERS rent subsidy percentage for Period 21 of 20%.

The rent top-up percentage (i.e., lockdown support) continues to be 25% for Periods 20 and 21.

Details of the new CERS subsidy rates for Periods 20 and 21 are set out below.

Changes to the base rate

The base subsidy rate is calculated by multiplying an eligible entity's revenue decline by the relevant factor for each period, and the base rate maximizes when the revenue decline reaches 50%.

Additionally, like the CEWS, and prior CERS qualifying periods 18 and 19, only employers that have a revenue decline greater than 10% are eligible to claim the CERS.

Details of the CERS subsidy rates are set out below.

CERS rates		
	Period 20	Period 21
Maximum per period*	\$120,000	\$60,000
Revenue decline	Subsidy %	Subsidy %
> 70%	40%	20%
50% to 70%	$25\% + 0.75 \times (\text{revenue decline} - 50\%)$	$10\% + 0.5 \times (\text{revenue decline} - 50\%)$
> 10% to < 50%	$0.625 \times (\text{revenue decline} - 10\%)$	$0.25 \times (\text{revenue decline} - 10\%)$
≤ 10%	0%	0%

Source: Deloitte

* The CERS rate applies to a maximum of \$75,000 in eligible expenses per location and is limited to \$300,000 for all affiliated entities. In addition, eligible entities that are affected by a public health order will continue to be entitled to an additional 25% Lockdown Support for Periods 20 and 21, resulting in the following maximum CERS percentages:

Maximum CERS rates		
	Period 20	Period 21
Revenue decline	Subsidy %	Subsidy %
70% or more	40%	20%
Lockdown Support	25%	25%
Total	65%	45%

Source: Deloitte

Changes to the prior reference period

Bill-C2 introduces election options for entities that were not in operations as of March 1, 2019. This flexibility seems to be focused primarily on entities that have not already made elections between Period 5 and Period 13.

The table below summarizes the potential election outcomes available to entities. In short, entities that were not in operations as of March 1, 2019, appear to have some flexibility in Periods 14 through 28 to potentially switch between the General and Alternative methods on three different occasions. This flexibility appears to only be available if an entity has NOT already elected the Alternative method for Period 5 onward.

Entity category	Qualifying period range	Comment
All entities	Qualifying periods 1 through 4	
	Qualifying periods 5 through 28	Entities can switch from an election made in P1-4.
Entities that were not in operations as of March 1, 2019	Qualifying periods 1 through 4	
	Qualifying periods 5 through 13	Entities can switch from an election made in P1-4. However, if an entity makes an election in this period range, it will now be locked in through P28.
	Qualifying periods 14 through 17	If no election was made from P5-13, an entity can elect to use the Alternative method, without impacting P18 onward.
	Qualifying periods 18 through 25	If the Alternative method was elected in P18-25, that election would be forced to apply from P5-28.
	Qualifying periods 26 through 28	If no Alternative method election was made for P5-13 or P18-25, then an entity can elect to use the Alternative method for P26-28.

Source: Deloitte

New Tourism and Hospitality Recovery Program (THRP)

Bill C-2 provides targeted support through the THRP for hospitality and tourism businesses that have been deeply impacted, and continue to be affected, by the pandemic. If eligible, businesses that qualify under the THRP may benefit from a wage subsidy and rent subsidy similar to those provided under the CEWS and CERS programs.

Eligible businesses will be required to meet the following conditions to qualify for THRP:

1. An entity operating in the hospitality and tourism industry with pre-pandemic revenues earned primarily (more than 50%) from operating or managing a business that provides services in the following general categories:
 - a. Food preparation services;
 - b. Short-term lodging services;
 - c. Recreational activities and rental services for recreational activities; and
 - d. Leisure tours.

Note that specific businesses have been excluded from the type of activities which can qualify as hospitality and tourism, including retailers, supermarkets, convenience stores, golf clubs, country clubs and professional sports clubs. The definition also appears to implicitly exclude any airlines. The definition of “qualifying hospitality and tourism entity”, which provides for full list of acceptable activities and exclusions, is set out in Appendix A.

2. A prior year revenue decline of at least 40% over the first 13 qualifying periods for CEWS but excluding either one of Periods 10 or 11 (i.e., a 12-month revenue decline).
 - a. The calculation is an average of the revenue reduction percentage calculated for Period 1 through Period 13 (only counting Periods 10/11 once), with any negative revenue reduction percentages (i.e., increases) being taken into consideration in this simple average calculation (i.e., increases are not deemed to be nil for purposes of this calculation).
 - b. Note that any periods in which the eligible entity was not carrying on business should be excluded from the average calculation.
 - c. Finally, in calculating prior year revenue decline, the provision in subsection 125.7(9) is ignored such that the impacts of any deeming on revenue decline percentages would be ignored.
3. A current-month revenue loss of at least 40% compared to the same month in 2019/2020, with the same elections and deeming provisions from CEWS/CERS continuing to be available (i.e., alternative method, cash method, consolidated or stand-alone, non-arm’s length look through method, etc.).

Subsidy rate structure

The THRP will be available for Periods 22 to 28, running from October 24, 2021 to May 7, 2022. The wage and rent subsidy rate calculations will follow existing rules for the CERS and CEWS programs, with one modification to the rent subsidy calculation. The current CERS program imposes a monthly cap on claimable eligible expenses of \$75,000 per business location and \$300,000 in total for the eligible organization. **Bill C-2 increases the aggregate monthly cap from \$300,000 to \$1,000,000 starting on October 24, 2021 for entities eligible under the THRP.**

For Periods 22 to 26 (October 24, 2021 to March 12, 2022), the rent and wage subsidy rates will start at 40% for eligible organizations that have a current-month revenue decline of 40%. This rate increases proportionally to current-month revenue loss up to a maximum of 75%. For Periods 27 and 28 (March 13, 2022 to May 7, 2022), the subsidy rates for THRP are reduced by half.

The table below outlines the subsidy structure for both wage and rent subsidies under the THRP. Note that Period 21 is not part of the THRP program. Period 21 is included for reference purposes only to compare the differences in the subsidy rates for the expired CEWS program and the new THRP program.

Tourism and Hospitality Recovery Program

	Period 21 (CEWS)	Periods 22-26	Periods 27-28
Revenue decline	Subsidy %	Subsidy %	Subsidy %
> 75%	20%	75%	37.5%
70% to 75%	20%	revenue decline	revenue decline ÷ 2
50% to 70%	10% + (revenue decline - 50%) x 0.5	revenue decline	revenue decline ÷ 2
40% to 50%	0.25 x (revenue decline - 10%)	revenue decline	revenue decline ÷ 2
10% to 40%	0.25 x (revenue decline - 10%)	0%	0%
< 10%	0%	0%	0%

Source: Deloitte

A summary of the impact of the changes on the maximum amount of **wage subsidy available per employee per week** has been illustrated in the table below. Note that Period 21 is not part of the THRP program. Period 21 is included for a visual comparison of the maximum amount of wage subsidy available under the expired CEWS program and the new THRP program.

Max Subsidy per Employee per Week

Revenue Reference CEWS Period	October 21	November-March 22-26	April-May 27-28
Salary Start	26-Sep-21	24-Oct-21	13-Mar-22
Salary End	23-Oct-21	12-Mar-22	07-May-22

% Revenue Decline

5%	\$	-	\$	-	\$	-
10%	\$	-	\$	-	\$	-
15%	\$	14.11	\$	-	\$	-
20%	\$	28.23	\$	-	\$	-
25%	\$	42.34	\$	-	\$	-
30%	\$	56.45	\$	-	\$	-
35%	\$	70.56	\$	-	\$	-
40%	\$	84.68	\$	451.60	\$	225.80
45%	\$	98.79	\$	508.05	\$	254.03
50%	\$	112.90	\$	564.50	\$	282.25
55%	\$	141.13	\$	620.95	\$	310.48
60%	\$	169.35	\$	677.40	\$	338.70
65%	\$	197.58	\$	733.85	\$	366.93
70%	\$	225.80	\$	790.30	\$	395.15
75% or more	\$	225.80	\$	846.75	\$	423.38

A summary of the impact of the changes on the maximum amount of rent **subsidy available per location and entity per period** has been illustrated in the table below. Note that Period 21 is not part of the THRP program. Period 21 is included for a visual comparison of the maximum amount of rent subsidy available under the expired CERS program and the new THRP program.

THRP Max Rent Subsidy per Period		Per Location			Per Associated Group		
Revenue Reference	October	November-March	April-May	October	November-March	April-May	
CEWS Period	21	22-26	27-28	21	22-26	27-28	
Salary Start	26-Sep-21	24-Oct-21	13-Mar-22	26-Sep-21	24-Oct-21	13-Mar-22	
Salary End	23-Oct-21	12-Mar-22	07-May-22	23-Oct-21	12-Mar-22	07-May-22	
Maximum Amount	\$75,000	\$75,000	\$75,000	\$300,000	\$1,000,000	\$1,000,000	

% Revenue Decline		Per Location	Per Associated Group
5%	\$	\$ -	\$ -
10%	\$	\$ -	\$ -
15%	\$	\$ 937.50	\$ -
20%	\$	\$ 1,875.00	\$ 3,750.00
25%	\$	\$ 2,812.50	\$ 7,500.00
30%	\$	\$ 3,750.00	\$ 11,250.00
35%	\$	\$ 4,687.50	\$ 15,000.00
40%	\$	\$ 5,625.00	\$ 18,750.00
45%	\$	\$ 6,562.50	\$ 22,500.00
50%	\$	\$ 7,500.00	\$ 26,250.00
55%	\$	\$ 8,437.50	\$ 30,000.00
60%	\$	\$ 9,375.00	\$ 33,750.00
65%	\$	\$ 10,312.50	\$ 37,500.00
70%	\$	\$ 11,250.00	\$ 41,250.00
75% or more	\$	\$ 12,187.50	\$ 45,000.00

Source: Deloitte

The table above assumes that the eligible entity incurs sufficient expenses per location and associated group to hit the maximum subsidy rate.

The existing 25% rent subsidy top-up under the CERS program for locations affected by lockdown will continue to be available under the THRP. Note that the total maximum subsidy is now 100% where an organization that qualifies for THRP is under lockdown.

New Hardest-Hit Business Recovery Program (HHBRP)

Organizations that have been deeply impacted by the effects of the pandemic, that may not otherwise be eligible for THRP, may qualify for HHBRP rent and wage support, which is not industry specific. Eligible organizations will be required to meet the following conditions to qualify for HHBRP:

1. A prior year revenue decline of at least 50% over the first 13 qualifying periods for CEWS but excluding either one of Periods 10 or 11 (i.e., a 12-month revenue decline).
 - a. The calculation is an average of the revenue reduction percentage calculated for Period 1 through Period 13 (again only counting Periods 10/11 once), with any negative revenue reduction percentages (i.e., increases) being taken into consideration in this simple average calculation (i.e., increases are not deemed to be nil for purposes of this calculation).
 - b. Note that any periods in which the eligible entity was not carrying on business would be excluded from the average calculation.
 - c. Finally, in calculating prior year revenue decline, the provision in subsection 125.7(9) is ignored such that the impacts of any deeming on revenue decline percentages would be ignored.
2. A current-month revenue loss of at least 50% compared to the same month in 2019/2020, with the same elections and deeming provisions from CEWS/CERS continuing to be available.

Subsidy rate structure

The qualifying periods for HHBRP are referred to as Periods 22 to 28, running from October 24, 2021 to May 7, 2022. The wage and rent subsidy rate calculations follow existing rules for the CERS and CEWS programs, with one proposed modification to the rent subsidy calculation. The current CERS program imposes a monthly cap on eligible expenses that can be claimed of \$75,000 per business location and \$300,000 total for the eligible organization. **As with the THRP, the aggregate monthly cap is increased from \$300,000 to \$1,000,000 starting on October 24, 2021, for entities eligible under this program.**

For qualifying periods 22 to 26 (October 24, 2021 to March 12, 2022), the subsidy rates start at 10% for eligible hard-hit organizations with a current-month revenue decline of 50%. The rate increases on a straight-line basis to a maximum rate of 50%. For proposed qualifying periods 27 and 28 (March 13, 2022 to May 7, 2022), the subsidy rate is reduced by half.

The table below outlines the subsidy structure for both wage and rent subsidies under the HHBRP. Note that Period 21 is not part of the THRP program. Period 21 is included for reference purposes only to compare the differences in the subsidy rates for the expired CEWS program and the new HHBRP program.

Hardest-Hit Business Recovery Program			
	Period 21 (CEWS)	Periods 22-26	Periods 27-28
Revenue decline	Subsidy %	Subsidy %	Subsidy %
>75%	20%	50%	25%
70% to 75%	20%	10% + (revenue decline - 50%) x 1.6	5% + (revenue decline - 50%) x 1.6
50% to 70%	10% + (revenue decline - 50%) x 0.5	10% + (revenue decline - 50%) x 1.6	5% + (revenue decline - 50%) x 1.6
10% to 50%	0.25 x (revenue decline - 10%)	0%	0%
< 10%	0%	0%	0%

Source: Deloitte

A summary of the impact of the changes on the maximum amount of **subsidy available per employee per week** has been illustrated in the table below. Note that Period 21 is not part of the HHBRP program. Period 21 is included for a visual comparison of the maximum amount of wage subsidy available under the expired CEWS program and the new HHBRP program.

Max Subsidy per Employee per Week

Revenue Reference CEWS Period	October 21	November-March 22-26	April-May 27-28
Salary Start	26-Sep-21	24-Oct-21	13-Mar-22
Salary End	23-Oct-21	12-Mar-22	07-May-22

% Revenue Decline

5%	\$	-	\$	-	\$	-
10%	\$	-	\$	-	\$	-
15%	\$	14.11	\$	-	\$	-
20%	\$	28.23	\$	-	\$	-
25%	\$	42.34	\$	-	\$	-
30%	\$	56.45	\$	-	\$	-
35%	\$	70.56	\$	-	\$	-
40%	\$	84.68	\$	-	\$	-
45%	\$	98.79	\$	-	\$	-
50%	\$	112.90	\$	112.90	\$	56.45
55%	\$	141.13	\$	203.22	\$	101.61
60%	\$	169.35	\$	293.54	\$	146.77
65%	\$	197.58	\$	383.86	\$	191.93
70%	\$	225.80	\$	474.18	\$	237.09
75% or more	\$	225.80	\$	564.50	\$	282.25

A summary of the impact of the changes on the maximum amount of **CERS subsidy available per location and entity per period** has been illustrated in the table below. Note that Period 21 is not part of the HHBRP program. Period 21 is included for a visual comparison of the maximum amount of rent subsidy available under the expired CERS program and the new HHBRP program.

HHBRP Max Rent Subsidy per Period

Revenue Reference CEWS Period	Per Location			Per Associated Group		
	October 21	November-March 22-26	April-May 27-28	October 21	November-March 22-26	April-May 27-28
Salary Start	26-Sep-21	24-Oct-21	13-Mar-22	26-Sep-21	24-Oct-21	13-Mar-22
Salary End	23-Oct-21	12-Mar-22	07-May-22	23-Oct-21	12-Mar-22	07-May-22
Maximum Amount	\$75,000	\$75,000	\$75,000	\$300,000	\$1,000,000	\$1,000,000

% Revenue Decline

5%	\$	-	\$	-	\$	-	\$	-	\$	-
10%	\$	-	\$	-	\$	-	\$	-	\$	-
15%	\$	937.50	\$	-	\$	3,750.00	\$	-	\$	-
20%	\$	1,875.00	\$	-	\$	7,500.00	\$	-	\$	-
25%	\$	2,812.50	\$	-	\$	11,250.00	\$	-	\$	-
30%	\$	3,750.00	\$	-	\$	15,000.00	\$	-	\$	-
35%	\$	4,687.50	\$	-	\$	18,750.00	\$	-	\$	-
40%	\$	5,625.00	\$	-	\$	22,500.00	\$	-	\$	-
45%	\$	6,562.50	\$	-	\$	26,250.00	\$	-	\$	-
50%	\$	7,500.00	\$	7,500.00	\$	30,000.00	\$	100,000.00	\$	50,000.00
55%	\$	9,375.00	\$	13,500.00	\$	37,500.00	\$	180,000.00	\$	90,000.00
60%	\$	11,250.00	\$	19,500.00	\$	45,000.00	\$	260,000.00	\$	130,000.00
65%	\$	13,125.00	\$	25,500.00	\$	52,500.00	\$	340,000.00	\$	170,000.00
70%	\$	15,000.00	\$	31,500.00	\$	60,000.00	\$	420,000.00	\$	210,000.00
75% or more	\$	16,875.00	\$	37,500.00	\$	67,500.00	\$	500,000.00	\$	250,000.00

The table above assumes that the eligible entity incurs sufficient expenses per location and associated group to hit the maximum subsidy rate. The existing 25% rent subsidy top-up under the CERS program for locations affected by a lockdown continues to be available under the HHBRP.

New Local Lockdown Program

Entities that are subject to a *qualifying public health restriction* will be eligible to receive support at the subsidy rates calculated under the THRP subsidy rate structure, **regardless of industry sector**.

A newly introduced definition of “qualifying public health restriction” outlines incremental requirements to the existing definition of “public health restriction”. Particularly, it requires that at least 25% of the revenue of the **qualifying entity**, in the prior reference period, are derived from restricted activities. This is in addition to the existing criterion that at least 25% of qualifying revenues from a **specific location** is derived from restricted activities in the prior reference period.

For greater clarity, this does not indicate a required decline in revenues from those activities at an entity level nor at a location level. Rather it requires that the mix of revenues in the prior reference period be at least 25% derived from restricted activities.

Moreover, entities subject to a qualifying public health restriction will only need to experience a current month decline of at least 40% (as opposed to 50%) and NOT have to also satisfy the 12-month revenue decline requirement.

Finally, entities will need to have at least one location subject to a qualifying public health restriction lasting for at least seven days in the qualifying period.

In summation, accessing this enhanced subsidy requires meeting the following conditions:

- At least one location being subject to a public health restriction for at least seven days in a qualifying period;
- That qualifying revenues from affected qualifying property(ies), derived from restricted activities, represented no less than 25% of revenues in the prior reference period;
- That qualifying revenues, derived from restricted activities, **of the entity**, represented no less than 25% of revenues in the prior reference period; and
- That the entity experienced a minimum 40% decline in revenues, in the month related to the qualifying period in which a qualifying public health restriction applies.

Canada Recovery Hiring Program (CRHP)

The CRHP was introduced on April 19, 2021, through Budget 2021 and initially set to expire on November 20, 2021. Bill C-2 increases the subsidy rate to 50% for Period 22 (October 24, 2021 to November 20, 2021), and provides an extension to the CHRP until May 7, 2022, at the new subsidy rate of 50% with the possibility of a further extension until July 2, 2022.

The existing baseline period of March 14, 2021 to April 10, 2021, will continue to be used to calculate incremental remuneration for the extended periods. The existing rules on eligibility of businesses and employees will also continue to apply.

Extension of the executive compensation repayment amount

Bill C-2 extends the executive compensation repayment (i.e., deemed overpayment) rules for qualifying periods 17 to 28. The methods for calculating the amounts are as follows:

- For qualifying periods 17 to 23, compare executive remuneration of the eligible entity or the public parent corporation that controls the eligible entity, if any, for the 2021 calendar year to the 2019 calendar year (i.e., prorated for entities with fiscal years being different than the calendar year);
- For qualifying periods 24 to 28, compare executive remuneration of the eligible entity or the public parent corporation that controls the eligible entity, if any, for the 2022 calendar year to the 2019 calendar year (i.e., prorated for entities with fiscal years being different than the calendar year).

Note that in the event a repayment amount for either of the defined periods exceeds subsidy amounts received for those related periods, the repayment would not be applied to the other period (e.g., if excess remuneration after repayment of Periods 17-23 exists, it would not further reduce the subsidy amount for Periods 24-28).

Moreover, this appears to result in a scenario where taxpayers would have to file their Periods 24-28 claims well before their final executive remuneration amounts for 2022 are known and finalized.

Potential repayment triggered by dividend payments

On December 14, 2021, the Standing Committee of Finance in the House of Commons tabled an amendment to Bill C-2. This proposal introduced a provision whereby a qualifying entity that is either a public company or the subsidiary of a public company will have to repay any CEWS received relating to a qualifying period in which a taxable dividend was paid to individual common shareholders of the public company or of the subsidiary of the public company. Based on the debate in the Standing Committee of Finance, the repayment amount was intended to be limited to the amount of the taxable dividend paid, although the language of the legislation, as enacted, cause this to be unclear and may apply to reduce the entire claim.

This provision is intended to apply prospectively to any claims made following Royal Assent. This change also applies under the newly proposed HHBRP and THRP programs.

As above-mentioned, Bill C-2, *An Act to provide further support in response to COVID-19*, was enacted on December 16, 2021, and received Royal Assent on December 17, 2021.

How can Deloitte help?

Our team of professionals can help you not only to understand how changes to existing programs may affect your business, but can also advise you on the extent to which the newly announced grants may apply to your situation. .

If you have questions, please contact your Deloitte representative or any of the individuals noted in this alert.

Appendix A

Conditions for an entity to constitute a “qualifying tourism or hospitality entity”:

1. Prior year revenue decline greater or equal to 40%
2. Revenue amounts used for prior period references from first qualifying period to thirteenth qualifying period (excluding either the tenth qualifying period or the eleventh qualifying period) must have been earned primarily from carrying on one or more of the activities listed below:
 - a. Operating or managing a short-term lodging facility including:
 - i. e.g. hotel, motel, cottage, bed and breakfast, youth hostel
 - b. Preparing and serving meals, snacks and/or beverages made to order for immediate consumption both on or off the premises including:
 - i. e.g. restaurant, food truck, cafeteria, caterer, coffee shop, food concession, bar, pub or nightclub,
 - ii. not including the operation of a facility primarily engaged in retailing food or beverage products such as a supermarket or a convenience store
 - c. Operating a travel agency or as a tour operator including:
 - i. acting as an agent for tour operators, transportation companies and short-term lodging establishments in selling travel, tour and accommodation services, or
 - ii. arranging, assembling and marketing tours
 - d. Organizing, promoting, hosting, supporting or participating in events that meet the artistic or cultural interests of their patrons, including live performances or exhibits intended for public viewing,
 - e. Preserving and exhibiting objects, sites and natural wonders of historical, cultural, or educational value, including:
 - i. the operation of a museum, a historic and heritage site, a zoo, a botanical garden or a nature park
 - f. Organizing, promoting or supporting scenic and sightseeing tours, including:
 - i. sightseeing or dinner cruises, steam train excursions, horse-drawn sight-seeing rides, air-boat rides, hot—air balloon rides or charter fishing services,
 - g. Providing charter bus services, if
 - i. the buses do not operate on fixed routes and schedules, and
 - ii. the entire vehicle is rented, rather than individual seats
 - h. Operating or managing an amusement or theme park, which includes:
 - i. operating a variety of attractions, such as mechanical rides, water rides, games, shows or theme exhibits, and
 - ii. leasing space on a concession basis for these operations
 - i. Operating or managing a facility or providing a service that enables patrons to participate in recreational activities
 - i. including:
 - i. fitness and recreational sports centres
 - ii. downhill and cross-country ski/snowboard areas, and equipment such as ski lifts and tows (including revenues from equipment rental services and ski/snowboard instruction services provided at the area)
 - iii. the operation of docking and storage facilities for pleasure-craft owners with or without related activities, such as retailing fuel and marine supplies, boat repair and maintenance and rental services
 - iv. the operation of recreation and amusement facilities and services including establishments primarily engaged in maintaining non-gambling coin-operated amusement devices, in businesses operated by others, and
 - v. other amusement activities such as amateur sports clubs, teams or leagues, archery or shooting, ballroom dancing, river rafting, curling clubs, mini golf and bowling, and
 - ii. excluding:

- i. golf, golf instruction and the ownership or operation of a facility that is a golf course, a golf driving range, or a golf clubhouse,
 - ii. country clubs, and
 - iii. professional sports clubs, teams or leagues or facilities used primarily by such organizations
- j. Operating or managing serviced or unserviced sites to accommodate campers and their equipment for tents, tent trailers, travel trailers and recreational vehicles, excluding mobile home sites,
- k. Operating or managing an overnight recreational camp, such as a children's camp, a family vacation camp or an outdoor adventure retreat,
- l. Operating or managing a hunting camp or a fishing camp,
- m. Operating or managing a hunting camp or a duty-free retail store at a land border crossing where the only exit route is to the United States,
- n. Operating or managing a facility that is primarily engaged in exhibiting motion pictures, such as a cinema or a drive-in theatre,
- o. Operating or managing an amusement arcade, such as a family fun centre, an indoor play area, a pinball arcade or a video game arcade,
- p. Operating a facility allowing passengers to board and leave a cruise ship,
- q. Operating or managing an airport, including renting hangar space and providing baggage handling, cargo handling and aircraft parking services,
- r. Operating or managing a casino,
- s. Promoting a destination or region in Canada for the purpose of attracting tourism,
- t. Organizing, planning, promoting, hosting or supporting:
 - i. conventions, trade shows or festivals, or
 - ii. weddings, parties or similar events, and
- u. Promoting the interests of the members of an industry organization or association, if the members are primarily engaged in activities described in any of subparagraphs a. to t.



Deloitte LLP
Bay Adelaide Centre, East Tower
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada

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