

# An update on the CEWS and the CRA's audit activity

- Gergely Hegedus, Senior Associate (Edmonton)
- Jacob Yau, Associate (Toronto)

# Presentation objectives

## Updates on the Canada Emergency Wage Subsidy (CEWS)

- Applications to date
- Bill C-9 (November 2, 2020)
- Audit Activity
- CEWS employer database
- Additional updates

## Updates on other relief assistance:

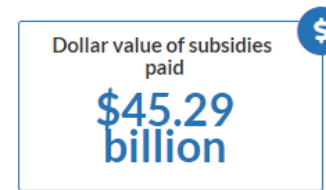
- Canada Emergency Rent Subsidy (CERS)
- Tax deductions for employee home office expenses
- Employer reimbursement of up to \$500 for “personal computer purchases” and home office equipment

## Claims to date - Canada emergency wage subsidy (CEWS)

CEWS summary <sup>1</sup> <sup>2</sup> data since launch, as of October 25, 2020

### Expanded information about CEWS claims

[Detailed data about CEWS claims](#) is available. You may download the data in PDF or CSV format.



Employees whose wages will be supported by CEWS <sup>4</sup>

**By claim period** <sup>?</sup>

Period 1	3,365,260
Period 2	3,557,710
Period 3	3,811,270
Period 4	3,523,290
Period 5	3,360,190
Period 6	3,000,790
Period 7	1,666,280

# Bill C-9

- First reading was on November 2, 2020 (**not yet passed into law**), some proposed changes include:
  - Baseline remuneration: alternative period for employees who were on leave between July 1, 2019 and March 15, 2020
  - November 22 to December 20 added as 10<sup>th</sup> qualifying period
  - CEWS can be extended to **June 30, 2021** by regulation
  - Applications can be submitted by the later of **January 31, 2021** and **180 days** after the qualifying period
  - Proposes to allow eligible entities to revoke or amend elections

# Bill C-9 continued

- Proposes to implement **October 14, 2020 Backgrounder**
- For qualifying periods 8 to 10 (September 27, 2020 to December 19, 2020)
- Both the base and top-up would be determined by either
  - the change in an eligible employer's monthly revenues, year-over-year, for either the current or previous calendar month or
  - an average of January and February 2020 revenues
  - (rather than the 3-month revenue-decline test)
- However, “safe harbour” rule would entitle an eligible employer to a top-up subsidy rate that is no less than it would have received under the three-month revenue-decline test.

# Elections for JVs and NAL parties

- Elections under paragraphs 125.7(4)(c) and (d) of the *Income Tax Act*
- Special accounting rules for:
  - Joint Ventures
  - Eligible entity that earn all or substantially all qualifying revenue from one or more persons with which it does not deal at arm's length
- Can only be use for the first 4 qualifying periods under the current legislation

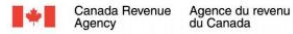
Period	Applicable dates
1	begins on March 15, 2020 and ends on April 11, 2020
2	begins on April 12, 2020 and ends on May 9, 2020
3	begins on May 10, 2020 and ends on June 6, 2020
4	begins on June 7, 2020 and ends on July 4, 2020

- **Bill C-9 received first reading on November 2, 2020 which would allow these elections to be used for all qualifying periods (not yet passed into law as of November 5, 2020)**

# Amending applications

- Eligible entity can file an amended CEWS application as long as it is provided before the deadline to apply, which is currently **January 31, 2021** (but Bill C-9 proposes to extend this to the later of January 31, 2021 and 180 after the qualifying period)

# Audit activity



PROTECTED B

September 11, 2020

Dear \_\_\_\_\_:

**Subject: Audit of your Canadian Emergency Wage Subsidy claims**

Following our telephone conversation on September 10, 2020, this is to confirm that we are commencing the audit of the Canadian Emergency Wage Subsidy (CEWS) received by \_\_\_\_\_ for the above-referenced periods. In accordance with subsection 231.1(1) of the Income Tax Act (ITA), we will require access to the various documents listed in the attached CEWS – Appendix A to initial contact letter for the purpose of administering and enforcing the ITA rules in the context of this audit.

As discussed, given the unusual nature of the wage subsidy program, the CRA is commencing audits earlier than it normally would. We anticipate that this approach will assist both taxpayers and the CRA in locating and providing requested documentation as well as explanations of approaches taken in the CEWS application. This is a limited scope audit which we anticipate could be completed, provided that requested documentation is made available in a timely manner.

In this regard, we refer you to the attached CEWS – Appendix B to initial contact letter which describes procedures for information requests throughout the audit process.

I would like to take this opportunity to direct you to My Business Account and Represent a Client, which, in addition to facilitating electronic documents transfer for the purposes of this audit, allow you to view and control many other services such as filing a return or election, and authorizing or managing representatives who can submit records on your behalf. For more details or to register for My Business Account, go to [canada.ca/my-cra-business-account](https://canada.ca/my-cra-business-account).

Also, to find out more about the audit process, please refer to CRA pamphlet RC4188 “What you should know about audits” which can be found at [canada.ca/forms and publications](https://canada.ca/forms-and-publications).

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Should you have any questions, please do not hesitate to contact me at \_\_\_\_\_.  
You can also reach my team leader, \_\_\_\_\_.

Sincerely,

\_\_\_\_\_  
Audit Division  
Tax Services Office: 61 - Toronto East  
Website: [canada.ca/revenue-agency](https://canada.ca/revenue-agency)

Attachments: Appendix A and B

The authenticity of this document has not been verified

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# Audit letter

- Template letter intended to be exhaustive of all documents that **could** be requested
- Intention not to create undue burden but to ensure compliance and integrity of audit
- If audit request is overly broad, speak with Auditor or Team Leader
- Audit period can be expanded after initial review
- Post-payment audits looking at:
  - Eligibility of employer
  - Qualifying revenues
  - Whether employees eligible (i.e. not contractors)
  - Ensuring compliance with legislation

# Audit findings

- Auditor will issue proposal letter if CRA believes claim should be denied or adjusted
- Notice of Assessment will be issued
- Claimant can file a Notice of Objection
  - Large corporations will be bound by their objections
- Requirement to repay subsidy, plus interest, and penalties (in some cases)

# CEWS Employer Search

- CRA is finalizing the creation of a database called The “**CEWS employer search**” to show which corporations have received the subsidy to provide transparency to Canadians.
- CRA cannot publish detailed employer information.

# CERS – Canada Emergency Rent Subsidy

- October 9 - Government announces the CERS to replace CECRA (Canada Emergency Commercial Rent Assistance (CECRA), which ended on September 30.
- Details provided in Bill C-9 (November 2, 2020):
  - CERS will support tenants directly, rather than requiring tenants to negotiate and enter into rent-reduction agreements with their landlords (as with CECRA).
  - Rent and commercial mortgage interest expenses of eligible businesses, charities and non-profits will be reimbursed, on a sliding scale, up to a maximum of 65% in cases of a revenue decline of 70% or more.
  - As with CECRA, eligibility for CERS will be contingent on a demonstrated decline in revenue (revenue reduction percentage).

# CERS – Canada Emergency Rent Subsidy

- (Continued) Details provided in Bill C-9 (November 2, 2020):
  - “Lockdown Support” - A 25% top-up of the subsidy will be available specifically to businesses and other organizations that have been subject to a “public health restriction”
    - **Public health restriction:**
      - order or decision made under a federal or provincial law, or the authority granted under such a law (i.e. municipality or regional health authority);
      - in response to COVID-19;
      - based on limited scope (such as geography or type of business);
      - as a result of the order or decision, some or all activities related to the property are required to cease because of the type of activity (“restricted activities”);
      - least 25% of the revenues were related to the restricted activities; and
      - the restricted activities are required to cease for a period of at least one week.
  - Combined, a hard-hit business subject to a lockdown could receive rent support of up to 90%.
  - CERS will also include support (i.e. mortgage interest) for property owners who, generally, do not use the property primarily to earn rental income.
  - CERS subsidies will be claimable retroactively to September 27, 2020.
  - The CERS eligibility requirements and subsidy amounts will be apply until December 19, 2020, but the government has committed for the subsidy to run until June 2021.

# Other Federal Government Assistance

- **Employee-paid home office expenses – New Form T2200**
  - Current T2200 form is used to support an employee's claim for certain home office expenses (e.g. reasonable costs of electricity, heating, maintenance, rent, and office supplies, but not mortgage interest, property taxes or home insurance) provided that, generally:
    - i. The employee was “required by the contract of employment” to work from home and to pay all or a portion of their own home office expenses; and
    - ii. the employee principally (more than 50% of the time) performs the duties of their office or employment from the home office space.
  - CRA will be issuing a new “short form” T2200 *Declaration of Conditions of Employment for Working at Home During COVID-19*:
    - Reduced to one page and four questions.
    - Expanded eligibility during COVID-19 (minimum four continuous weeks working from home during COVID-19).
    - Confirms that a formal employment contract is not required – a verbal or implicit contract is sufficient.

# Other Federal Government Assistance

[Clear Data](#)

Canada Revenue Agency / Agence du revenu du Canada Protected B when completed

### Declaration of Conditions of Employment for Working at Home During COVID-19

The **employer** must complete this form for the employee to deduct home office (work-space-in-the-home, supplies) expenses from their income. This form is for employees who were **required** by their contract of employment to work from their home during COVID-19.

The **employee** does **not** need to attach this form to their return, but they must keep it in case we ask to see it later.

For more information about claiming employment expenses, see Guide T4044, Employment Expenses.

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**Part A – Employee information**

Last name	First name	Tax year	Social insurance number
Home address		Business address	
Job title and brief description of duties			

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**Part B – Conditions of employment**

A formal contract is not required. A verbal agreement between the employer and employee will be accepted.

1. Did this employee's contract of employment require them to pay their own home office expenses while carrying out their duties of employment? (Tick "yes" even if you provide a reimbursement for some or all such expenses.) .....  Yes  No

If you answered "no" above, the employee is **not** entitled to claim home office expenses due to COVID-19 and you are **not** required to answer any other questions.

2. Was this employee required to work from a work space in their home for one or more periods of four continuous weeks or more in 2020 during COVID-19? .....  Yes  No

If **no**, go to question 3.

If **yes**, enter the period or periods this employee worked from home and whether your employee mainly (more than 50% of the time) worked from the work space in their home during each period.

**Period Dates**

From <table style="display: inline-table; border-collapse: collapse;"> <tr><td style="border-bottom: 1px solid black; width: 20px;">Year</td><td style="border-bottom: 1px solid black; width: 20px;">Month</td><td style="border-bottom: 1px solid black; width: 20px;">Day</td></tr> </table> to <table style="display: inline-table; border-collapse: collapse;"> <tr><td style="border-bottom: 1px solid black; width: 20px;">Year</td><td style="border-bottom: 1px solid black; width: 20px;">Month</td><td style="border-bottom: 1px solid black; width: 20px;">Day</td></tr> </table>	Year	Month	Day	Year	Month	Day	Did your employee mainly work from their home in this period? <input type="checkbox"/> Yes <input type="checkbox"/> No
Year	Month	Day					
Year	Month	Day					
From <table style="display: inline-table; border-collapse: collapse;"> <tr><td style="border-bottom: 1px solid black; width: 20px;">Year</td><td style="border-bottom: 1px solid black; width: 20px;">Month</td><td style="border-bottom: 1px solid black; width: 20px;">Day</td></tr> </table> to <table style="display: inline-table; border-collapse: collapse;"> <tr><td style="border-bottom: 1px solid black; width: 20px;">Year</td><td style="border-bottom: 1px solid black; width: 20px;">Month</td><td style="border-bottom: 1px solid black; width: 20px;">Day</td></tr> </table>	Year	Month	Day	Year	Month	Day	<input type="checkbox"/> Yes <input type="checkbox"/> No
Year	Month	Day					
Year	Month	Day					

If you answered "no" for a period, the employee is not entitled to deduct work-space-in-the-home expenses for that period.

3. Did this employee's contract of employment require them to pay for supplies that they used directly in their work?

- stationery, ink cartridge, postage, etc. ....  Yes  No
- use of a cell phone .....  Yes  No

4. Did you or will you reimburse this employee for any home office expenses? .....  Yes  No

If **yes**, enter the amount and type of expense you did, or will, reimburse to the employee:

Amount	Type of expense	Included on T4 slip
\$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
\$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
\$ _____	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

## Other Federal Government Assistance

- **\$500 employer reimbursement for “personal computer equipment” – not a taxable benefit**
  - In April 2020, CRA confirmed that reimbursements of purchases of “personal computer equipment” to enable employees to work from home would not be a taxable benefit to the employees.
  - On October 27, CRA confirmed that there are no immediate plans to increase the \$500 amount (hopefully, this amount may increase next year).
  - However, CRA confirmed that the \$500 is now expanded to include home office furniture, such as desks, chairs, and other equipment.
  - Employers are advised to retain employee-provided receipts to support the reimbursed amounts.



# Thank you



**Gergely Hegedus**  
Senior Associat, Edmonton  
+1 780 423 7282  
gergely.hegedus@dentons.com



**Jacob Yau**  
Associate, Toronto  
+1 416 863 4676  
jacob.yau@dentons.com