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Tax Alert – Canada

Canada Emergency Response Benefit and Work-Sharing Program update

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 25 March 2020, the federal government provided updates to the economic measures released last week and the legislation to implement the measures was enacted. The announced updates include:

- ▶ The creation of the Canada Emergency Response Benefit (CERB), which replaces the Emergency Support Program and the Emergency Care Benefit announced last week (and reported in [Tax Alert 2020 No. 15](#)); and
- ▶ Changes to simplify the process of applying for the work-sharing agreements under the temporary special measures of the Canada Work-Sharing Program.

This Alert summarizes some key points relating to each of these programs.

Canada Emergency Response Benefit

To simplify the process of getting cash into the hands of Canadians whose income has been reduced due to the world health crisis, the federal government has created the CERB program, which replaces the Emergency Support Program and the Emergency Care Benefit, which were announced last week. The new CERB program was developed as a simpler and more accessible solution to the combination of the previously announced programs and will be administered by Employment and Social Development Canada (ESDC).

In its [press release](#), the government described the scope of the benefit as follows:

“The EI system was not designed to process the unprecedented high volume of applications received in the past week. Given this situation, all Canadians who have ceased working due to COVID-19, whether they are EI-eligible or not, would be able to receive the CERB to ensure they have timely access to the income support they need.”

This new benefit will provide \$2,000 per month for up to four months to individuals who have lost income as a result of the COVID-19 situation.

The CERB is available to workers who suffer income loss as a result of ceasing work for reasons relating to the health crisis. It would include those who are:

- ▶ Sick;
- ▶ Quarantined;
- ▶ Caring for someone who is sick with COVID-19; or
- ▶ Working parents who must look after children who are sick or at home due to school and daycare closures.

For CERB purposes, the *Canada Emergency Benefit Response Act* defines a worker as a person who is at least 15 years of age, who is resident in Canada and who, for 2019 or in the 12-month period preceding the day on which they apply for an income support payment, has a total income of at least \$5,000 from:

- ▶ Employment;
- ▶ Self-employment;
- ▶ Pregnancy or parental benefits under the *Employment Insurance Act*; and
- ▶ Allowances, money or other benefits paid to the person under a provincial plan because of pregnancy, or in respect of the person’s caring for their newborn children or children placed with them for adoption.

A worker is eligible for an income support payment if:

1. The worker, whether employed or self-employed, ceases working for reasons related to the COVID-19 pandemic for at least 14 consecutive days within the four-week period in respect of which they apply for the payment; and
2. They do not receive income from employment or self-employment income, benefits under the *Employment Insurance Act*, allowances, money or other benefits paid to the person under a provincial plan as described above, or any other prescribed income that relates to consecutive days after which they ceased work.

It is expected that the federal government may clarify conditions for eligibility in the regulations, which have not yet been released. Additionally, the regulations could include exemptions for certain types of income or *de minimis* amounts.

Canadians who have already applied for Employment Insurance (EI) and whose application has not yet been processed would not need to reapply once the CERB application portal becomes available in April 2020. It is expected that recipients would begin to receive support payments within 10 days of application. The payments would be made every four weeks and will cover the period beginning 15 March 2020 and ending 3 October 2020. Applications filed after 2 December 2020 will not be accepted. Individuals who are already receiving EI regular or sickness benefits will continue to receive those benefits and should not apply for the CERB.

Temporary measures under the Canada Work-Sharing Program

ESDC has made some additional changes to the Work-Sharing Program since the temporary special measures, such as extending the maximum possible duration of an agreement from 38 weeks to 76 weeks, were first announced last week (and reported in [Tax Alert 2020 No. 15](#)). These additional changes are aimed at simplifying and expediting the application process. These changes include:

- ▶ Waiving the mandatory cooling-off period for employers who have already used the Work-Sharing Program, thereby allowing eligible employers to enter immediately into a new agreement;
- ▶ Expanding eligibility by accepting employers that have been in business for only one year instead of a minimum of two years;
- ▶ Reducing previous requirements for a recovery plan to a single line of text within the application form; and
- ▶ Eliminating the requirement of employers having to provide sales/production figures at the same time.

The temporary special measures are effective from 15 March 2020 to 14 March 2021 and are not limited to one specific sector or industry. More details on these temporary special measures, including employer and employee toolkits, can be found here:

<https://www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html#h4.06>

Service Canada has also created a bilingual enquiry unit for employers affected by COVID-19 that are seeking information related to the Work-Sharing Program. Enquiries can be sent to the following mailbox: EDSC.DGOP.TP.REP-RES.WS.POB.ESDC@servicecanada.gc.ca

Learn more

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