TAX EXECUTIVES INSTITUTE
CANADA EMERGENCY WAGE SUBSIDY ("CEWS")
QUESTIONS FOR CANADA REVENUE AGENCY ("CRA")

1. Termination Notice

We understand that there is no requirement under the CEWS legislation that the employer who receives a wage subsidy for an employee must continue to employ the employee following the relevant subsidy claim period. Does this mean that the wage subsidy can be used to fund a termination notice period of an employee, during which the employee may be either employed and actively working or employed but furloughed?

2. Outsource Staffing

Contractors are not employees and therefore do not fit within the rules as qualified for inclusion in the population of employees on which the subsidy is based.

What are the implications to an outsource staffing company where the outsource staffing company has received the CEWS wage subsidy and the client receiving the staffing services has received an offsetting discount for the subsidy received, in effect providing a cost-subsidy to the end customer?

3. Update/Amendment Process

The detailed information, sample calculations and FAQs already provided by the Government have been very useful to taxpayers and are appreciated. With the addition of an ability to update or amend a CEWS application for new information, would the Government be prepared to provide similar details and sample calculations for the amendment process?

4. Qualifying Revenue and meaning of "inflow"

Would the CRA be willing to provide additional examples of how "inflow" should be interpreted for the purposes of determining qualifying revenue and, specifically, whether "inflows" should reflect amounts that get invoiced or amounts that ultimately get booked as revenue (which may not be the same e.g. passthrough costs)?

In particular, consider the following example.

An industry has two main business lines. The main business involves providing services to clients (e.g. advising on and purchasing media across various channels to deliver marketing messaging to consumers). For those services, a retainer fee is charged (or a commission based on the volume of purchasing done for those clients). When the clients are billed, an invoice is sent that outlines the fee for services as well as a charge to reimburse the provider for the cost of the media purchased for the clients' use.

In this model:

- GAAP revenue is the retainer or commission fee and staff are paid from the revenue associated with the fees and commissions – the volume of media is irrelevant to the ability to maintain those staff.

- The amount related to media purchased for the client is passed along to the client at cost.
- The pass-through of media costs is not recorded as revenue since the provider has no risk in the transaction and the provider's revenue does not vary as a result of the pass-through of these costs.

The second business line involves a bundled offering to clients. In this business, the risk associated with the provision of media is born by the provider and revenue is variable based on the ability of the provider to manage those risks.

In this model:

- Revenue is recorded inclusive of the fees, commissions, and media costs.
- The ability to pay staff is related to the margins that are driven by the total costs charged to the client.

How should qualifying revenue be determined in each of these situations?