CRA 2020: Huge Changes Coming to the CEWS

Description

The Canada Revenue Agency (CRA) is boosting efforts to help Canadians return to work. It has announced a second extension to the Canada Emergency Wage Subsidy (CEWS). The new extension will last until December 19 and change the terms of the CEWS. The new and extended subsidy will include more employers in the program.

The CRA initially launched the CEWS for the 12 weeks from March 15 to June 6, and later extended it to August 29. The ultimate objective of the subsidy was to support employers in retaining their workforce. The subsidy has so far supported jobs of about three million Canadian employees.

Now, the CRA has extended the CEWS to December 19 and has also eased the eligibility criteria to allow more employers to benefit from it.

The CRA makes huge changes to the CEWS

When the CEWS was launched in April, the CRA offered a 75% subsidy only to those employers whose revenue declined by 30% and above during the benefit period. Now the CRA has removed this 30% revenue decline criteria for the extended CEWS that starts from September. If your revenue fell by less than 30% during the benefit period, you can avail of the CEWS.

The subsidy amount will depend on the revenue hit an employer took. Unlike the original CEWS in which the CRA offered 75% support throughout the benefit period, the extended CEWS support will decrease gradually.

Companies who lost more than 50% revenue can avail of a top-up subsidy of up to an additional 25%.

The above changes will ensure that employers who have been receiving CEWS will continue to receive the same amount and in some cases a higher amount of subsidy.

Air Canada – a key beneficiary of the CEWS

Under the original CEWS, the CRA offered to pay up to 75% of the wages/salaries of qualified employees, or $847 per week, whichever is less. However, the CRA had one condition that the company will not do job cuts. **Air Canada** (TSX:AC) was one of the biggest beneficiaries of the subsidy as the airline lost 90% of its revenue in the second quarter.

The CEWS helped the airline reduce its wages and salaries expenses by 42% sequentially. In June, when the CEWS was extended, AC stopped using the CEWS and fired 20,000 employees or 50% of its workforce. Some of these employees have retired voluntarily, which means they will not receive the Canada Emergency Response Benefit (CERB).

AC now intends to continue its participation in the CEWS program if it meets the eligibility criteria. Under the new CEWS, AC could get more than 75% subsidy, as its revenue is likely to fall more than 70% year over year in the second half of the year.

What does the redesigned CEWS mean for you?

The CRA is making broader changes to the CEWS to help Canadians get back to work. During the COVID-19 lockdown, the need of the hour was to help Canadians pay their bills if they'd lost their jobs. Hence, the CRA paid people $2,000 in monthly.

As the economy reopens, the CRA is giving CERB only to those Canadians who are actively seeking work. Before the CERB expires in September, you should try to get back to work.

The CEWS and CERB together will ensure that you don't take a big hit on your salary. However, it's time you start saving at least $100 a week, or $5,200 a year, in your Tax-Free Savings Account (TFSA). A small investment can go a long way if you give it time to grow.

Investors' know-how

One good stock is **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX), Canada's largest software provider of supply chain management solutions. The company is resilient to the economy as its operations are among the essentials. It helps logistics and e-commerce companies plan and execute orders.

In the pandemic, there was a disruption in the overall demand. While Descartes' airline customers took a hit, it saw a surge in healthcare and food. While some stocks either rallied or fell exorbitantly during the pandemic, Descartes stock remained more stable and rose 32% year to date.

It will continue to rise in a more disciplined manner in the long term. Descartes is a lower risk growth stock with the potential to double your money in the long term.

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