

LOTT & COMPANY PROFESSIONAL CORPORATION

Wage Subsidy Accounting Instructions

These instructions relate specifically to the following announcement from the Department of Finance Canada on March 18, 2020:

Helping Businesses Keep their Workers

To support businesses that are facing revenue losses and to help prevent lay-offs, the government is proposing to provide eligible small employers a temporary wage subsidy for a period of three months. The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration. Employers benefiting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities.

We have not yet seen the legislation. These instructions are based on the information provided by Canada Revenue Agency to date.

Who is Eligible for the Subsidy:

Canadian-controlled private corporations with taxable capital below \$15,000,000 on an associated group basis that had an existing business number and payroll program account on March 18, 2020. Non-profit organizations and registered charities are also eligible.

How is the Subsidy Paid:

The subsidy is received by reducing the remittance of federal, provincial and territorial income tax withheld from employees' payroll withholdings.

Note that all withholdings of CPP and EI must continue to be remitted along with the employer portion of CPP and EI.

When can the Subsidy be Claimed:

Remittances can start to be reduced with the first payroll remittance that includes wages paid between March 18, 2020 and June 20, 2020.

For example, if you are a monthly remitter, you can reduce the April 15, 2020 remittance by 10% of the wages paid between March 18 and March 31, 2020.

Accounting Procedures:

Create a general ledger account in the wages section of the income statement, preferably right after wages expense or vacation pay expense, named Wage Subsidy Received.

It will be important to track the amount of this subsidy separately for two reasons:

1. The total amount of the subsidy is capped at \$25,000. A separate general ledger account will make the tracking of this maximum amount very clear.
2. Tracking the amount of the subsidy received in a separate account will greatly simplify the annual payroll expense reconciliation when the 2020 T4 Summary is prepared.

Process and record the employee payroll as normal. There have been no changes to the CPP, EI and income tax withholding amounts from the employees pay. All amounts

