



Temporary Wage Subsidy and Canada Emergency Wage Subsidy

October 2020 Update

Since our most recent communication in early September, the rules pertaining to the Canada Emergency Wage Subsidy (CEWS) and their interpretation have continued to evolve as the government works to address gaps and to ensure that this assistance program is as fair as possible to all employers.

This update affects congregations that share one or more employee (e.g. within a parish) as well as congregations that sell or purchase the services of one or more employee (e.g. the services of their pastor) to/from another congregation.

Relationship #1: Shared Employee Arrangements

What is a “shared employee” arrangement?

The typical shared employee arrangement occurs when several congregations are aligned in a parish and the parish entity (as opposed to one of the congregations in the parish) employs and pays the pastor from a parish bank account (as opposed to the bank account from one of the congregations in the parish). The parish bank account is funded by equal contributions from each congregation. Payroll remittances to CRA are made by the parish.

Temporary Wage Subsidy considerations in a “shared employee” arrangement

Due to potential complications related to how the 10% Temporary Wage Subsidy and the Canada Emergency Wage Subsidy interact with each other, it is recommended that the parish entity not apply for the Temporary Wage Subsidy. Since there is no method of returning the TWS subsidy, if a parish has already received the subsidy, each congregation in the parish should identify their prorated portion of the TWS in their CEWS application for that period in order to avoid CRA's automated system from “red flagging” this.

Note that individual congregations in a shared employee relationship would not be eligible to apply for the Temporary Wage Subsidy since they don't make employer/employee remittances to CRA.

Canada Emergency Wage Subsidy considerations in a “shared employee” arrangement

Each congregation in a “shared employee” arrangement should apply on its own for each CEWS period, to the extent that the congregation satisfies the applicable CEWS revenue test for that period. Before applying, each congregation must first apply for a payroll # with CRA. (Note that due to changes in the rules, subsidies can be backdated to Period #1, even if the congregation didn’t have an RP# at that time)

Each congregation in a “shared employee” arrangement may claim its proportionate share of the shared employee’s compensation, subject to the overall maximum of \$847 per employee, provided that each congregation in the relationship is at arm’s length from the other congregations. In the case of the congregation not being at arm’s length from the other congregations, the maximum of \$847 per employee must be shared on a proportionate basis between the congregations. (For example, two congregations sharing a pastor on a 50/50 basis would each be entitled to 50% of the \$847 maximum).

Considerations when determining if a congregation is at arm’s length from another congregation

If the only common activities in congregations that are involved in a parish arrangement relate to sharing an employee (e.g. pastor), then the congregations would likely be considered to be at arm’s length from each other.

“Interconnectedness” implies a not at arm’s length relationship. Examples of situations where two or more congregations in a parish arrangement would likely be considered to not be at arm’s length from each other include:

- Congregations that share a common building
- Congregations that have a common board
(e.g. a parish council consisting of representatives from each congregation)

Relationship #2: Selling/Purchasing employee services to/from another congregation

What is a “selling/purchasing” employee services arrangement?

Typically, a “selling/purchasing” employee services arrangement would occur in the following types of situations:

1. Under the terms of a “Shared Services and Secondment Agreement” between two or more congregations, whereby the employing congregation agrees to sell a portion of one or more of its employee’s services (e.g. pastoral services) to one or more other congregations. There is a clear understanding that the congregation selling services holds the employment contract with the service provider (e.g. pastor).
2. In a parish alignment where one of the congregations in the parish is the employer (e.g. of the pastor) and other congregations in the parish reimburse the employing congregation for a portion of the employee’s services.
3. In a parish alignment where an employee (and employee costs) are not shared equally between each congregation.

Temporary Wage Subsidy considerations in a “selling/purchasing” employee services arrangement

The employing congregation should apply for the Temporary Wage Subsidy and share the subsidy, on a proportionate basis, with the congregation(s) that has/have purchased a portion of the employee’s services.

Note that congregations purchasing services of an employee from another congregation would not normally be eligible to apply for the Temporary Wage Subsidy since they don’t make employee r emittances to CRA.

Canada Emergency Wage Subsidy considerations in a “selling/purchasing” employee services arrangement

To the extent that the employing congregation, i.e. the congregation selling services, satisfies the applicable CEWS revenue test for that period, it should apply for the Canada Emergency Wage Subsidy and share the subsidy, on a proportionate basis, with the congregation(s) that has/have purchased a portion of the employee’s services. Note that in this situation, revenues of congregations purchasing the services of an employee are not included as part of the CEWS revenue tests.