

Canada Recovery Hiring Program

Introduced in the federal government's 2021 budget plan (Budget 2021), the new Canada Recovery Hiring Program (CRHP) provides eligible employers with a subsidy of up to 50 percent on the incremental remuneration paid to employees between June 6, 2021 and November 20, 2021.



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Who is eligible?

The CRHP is available to the same employers as the Canada Emergency Wage Subsidy (CEWS); however, in the case of a corporation, only a Canadian-controlled private corporation (CCPC) will be eligible. In addition to CCPCs, eligible employers also include individuals, non-profit organizations, registered charities and certain partnerships.

In order to apply for the CRHP, eligible employers, or their payroll service provider, must have a Canada Revenue Agency (CRA) payroll account number on March 15, 2020.

When is the subsidy available?

The CRHP will be available starting June 6, 2021. The qualifying periods are listed in the table below:

Table 1: CRHP Claim Periods

QUALIFYING PERIOD*	QUALIFYING PERIOD DATES	BASE PERIOD
17	Jun 6 - Jul 3, 2021	Mar 14 - Apr 10, 2021
18	Jul 4 - Jul 31, 2021	
19	Aug 1 - Aug 28, 2021	
20	Aug 29 - Sep 25, 2021	
21	Sep 26 - Oct 23, 2021	
22	Oct 24 - Nov 20, 2021	

* Period 17 of CEWS would be the first period of the CRHP. The numbering of the CRHP claim periods has been aligned to coincide with the numbering for the CEWS and CERS periods since they form part of the same legislation in the Income Tax Act.

How does an eligible entity qualify?

To qualify for CRHP, an eligible employer must have experienced a revenue decline in a qualifying period, which is determined in the same manner as under the CEWS. An eligible employer must have a revenue decline of more than 0% for period 17 or more than 10% for periods 18 to 22 in order to qualify for the CRHP.

An employer can choose to use the general approach (month-over-month comparison) or alternative approach (average of January and February 2020) to calculate their revenue decline, but the approach chosen must be consistent with the approach chosen for any previous CEWS and/or CERS claims the employer may have filed.

Moreover, eligible employers will be able to claim the higher of the CEWS or CRHP for a particular qualifying period, but not both. Since for periods 17 to 20, an eligible employer can choose to apply for either CEWS or CRHP, they will need to determine which measure will be more beneficial in each period.

For more information on the revenue decline calculation, please refer to our [CEWS tax alert](#).

How is the subsidy calculated?

There are two components to determining the amount of the CRHP subsidy:

- 1 The Hiring Subsidy Rate (HSR), and
- 2 The amount of the incremental remuneration.

The amount of the CRHP will be the product of these two amounts.

The Hiring Subsidy Rate

The HSR is equal to a given, constant rate for each claim period. Provided the employer meets the minimum revenue decline for that period, they will be entitled to using the HSR for that particular period. The HSR for periods 17-22 are shown in the following table.

Table 2: CRHP hiring subsidy rates

Qualifying period	Hiring subsidy rate
Period 17: Jun 6 - Jul 3, 2021	50%
Period 18: Jul 4 - Jul 31, 2021	50%
Period 19: Aug 1 - Aug 28, 2021	50%
Period 20: Aug 29 - Sep 25, 2021	40%
Period 21: Sep 26, 2021 - Oct 23, 2021	30%
Period 22: Oct 24, 2021 - Nov 20, 2021	20%

Determining the incremental remuneration

Since the purpose of the CRHP is to encourage employers to hire more people and/or increase the hours of employees, the amount of the subsidy is largely driven by the incremental increase in aggregate employee pay. Specifically, incremental remuneration for a qualifying period refers to the difference between the eligible remuneration paid by an employer in a qualifying period and the eligible remuneration paid by an employer in the base period (March 14 to April 10, 2021).

Similar to CEWS, the maximum eligible remuneration for purposes of determining the subsidy is \$1,129 per week. Unlike CEWS, furloughed employees who are on leave with pay, are not eligible for this new subsidy.

Incremental remuneration for non-arm's length employees

For purposes of determining the potential subsidy for non-arm's length (NAL) employees, there is an additional restriction that requires them to have baseline remuneration (not to be confused with remuneration during the baseline period). This means that NAL employees must have received remuneration during the period January 1 - March 15, 2020 in order to qualify for the CRHP on their wages. The baseline remuneration is equal to the average weekly remuneration received during this period.

Once the baseline remuneration is determined, it forms the lower limit in determining the eligible remuneration for both the qualifying period and the base period. So if a NAL employee's wages increased between the base period and the qualifying period, but the NAL employee's baseline remuneration was nil, then it would still not be entitled to the CRHP on its incremental remuneration.

An employer can choose a different baseline remuneration period, depending on the claim period for which an application is filed. This may help the employer to qualify for the CRHP on the NAL employee's remuneration. Baseline remuneration periods are shown in the following table.

Table 3: Baseline remuneration periods

Qualifying period	Baseline remuneration period either:	
Period 17: Jun 6 - Jul 3, 2021	Jan 1 - Mar 15, 2020	Mar 1 - Jun 30, 2019 Or Jul 1 - Dec 31, 2019
Period 18: Jul 4 - Jul 31, 2021		Jul 1 - Dec 31, 2019
Period 19: Aug 1 - Aug 28, 2021		
Period 20: Aug 29 - Sep 25, 2021		
Period 21: Sep 26, 2021 - Oct 23, 2021		
Period 22: Oct 24, 2021 - Nov 20, 2021		

Additional details on eligible remuneration expense and baseline remuneration can be found in our [CEWS tax alert](#).

Example of CEWS and CRHP comparison

A retail shop was shut down due to public health restrictions and had to lay off four of their 10 employees in 2020

- The retail shop pays \$700 per week per employee
- Its payroll during the base period (March 14 to April 10, 2021) was \$16,800 (i.e., 6 employees x \$700 x 4 weeks).
- It rehires the four laid-off employees starting June 6, 2021 and adds an additional employee starting July 4
- Total payroll expense:
 - For June 6 to July 3, 2021 - \$28,000 (i.e. 10 employees x \$700 x 4 weeks)
 - For July 4 to July 31, 2021 - \$30,800 (i.e. 11 employees x \$700 x 4 weeks)
- The bookstore's revenue decline is as follows:

Period	Revenue Decline
May 2021	50%
Jun 2021	20%
Jul 2021	0%

Table 4: Calculations of potential CEWS and CRHP claims

Qualifying periods	CEWS	CRHP	Claim
Period 17: Jun 6 - Jul 3, 2021	CEWS base percentage based on 50% revenue decline x total payroll expense for the period = $50\% \times 0.8 \times \$28,000 =$ \$11,200	Hiring subsidy rate for the period x (current payroll - base period payroll) = $50\% \times (\$28,000 - \$16,800) =$ \$5,600	CEWS of \$11,200
Period 18: Jul 4 - Jul 31, 2021	CEWS base percentage based on 20% revenue decline x total payroll expense for the period = $0.875 \times (20\% - 10\%) \times \$30,800 =$ \$2,695	Hiring subsidy rate for the period x (current payroll - base period payroll) = $50\% \times (\$30,800 - \$16,800) =$ \$7,000	CRHP of \$7,000

How to apply

The application for CRHP will be available on CRA's website through My Business Account or Represent a Client. The filing deadline is 180 days after the end of the qualifying period. Additional details will be released once the program becomes available.

What are the potential penalties?

If an entity entered into an anti-avoidance transaction or a series of transactions that would reduce the qualifying revenues for the current period or increase the amount of the subsidy, it will be required to repay the subsidy received. The entity may be subject to a penalty equal to 25 percent of the amount of the CRHP claimed by the eligible entity.

Additional information

For further details on this program, please see the following links on the Government of Canada's website:

- [Government announcement](#)

We're here to help

We understand that you want to be agile and responsive as the situation unfolds. Having access to experts, insights and accurate information as quickly as possible is critical—but your resources may be stretched at this time.

We're here to support you as you navigate through the impacts of COVID-19 on your business and your investments.

Grant Thornton LLP wants to caution that these rules are still new and continue to evolve as the government continues to re-evaluate the economic impact caused by the COVID-19 pandemic. We may still see changes to these measures—as well as new measures—as the government attempts to address the issues that have been raised by us and the tax community. Therefore, any analysis included herein reflects our knowledge as of the date and time of this publication and may no longer be applicable if changes do occur. You should proceed with caution before making any decisions.

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