



September 8, 2020

An update from National and Synod Treasurers

ELCIC National and Synod Treasurers continue to meet regularly to review information on financial support available through the Government of Canada as we navigate through the impact of the COVID-19 pandemic.

[At the beginning of August](https://www.canada.ca/en/department-finance/news/2020/07/adapting-the-canada-emergency-wage-subsidy-to-protect-jobs-and-promote-growth.html), the treasurers shared an update on several changes to the to the Canadian Emergency Wage Subsidy (CEWS). At the time there were still a few details waiting to be released. Those have now been updated and are available on the Government of Canada's website at: <https://www.canada.ca/en/department-finance/news/2020/07/adapting-the-canada-emergency-wage-subsidy-to-protect-jobs-and-promote-growth.html>.

Further resources and FAQs are also available here: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html>.

In addition to the information available on the Government of Canada website, the following may be of assistance.

How to determine what is an extraordinary revenue for CEWS calculations?

The determination of what constitutes extraordinary revenue is based on the *magnitude* of the amount and the *frequency* of this type of receipt and is included or excluded as revenue for CEWS purposes on this basis. For example:

- a small one-time bequest received by a congregation that **wouldn't normally receive any bequests** (bolded text is key terminology) would be extraordinary and should be excluded
- an extremely large one-time bequest (if greater than 10% of revenue **and** gifts of this size are infrequent) received by the Synod, if the Synod regularly receives bequests would be considered extraordinary revenue and should be excluded (but not extremely large bequests on a regular basis). Otherwise, this would be not be considered extraordinary and should be included (based on the GAAP definition of extraordinary items)
- Sale of property – same principle of magnitude and frequency applies. 10% of total revenue is a good rule of thumb to use for making the magnitude determination.
- Realized investment income – would normally be considered as extraordinary revenue for most congregations (since investing is not the primary purpose of a congregation is not investing) and not included in the revenue test, but could be considered not to be extraordinary income for a congregation that receives a significant amount of investment income.
- Unrealized investment income – should always be excluded from revenue for CEWS purposes

If the financial statements are audited, the determination of extraordinary revenue should be consistent with what is stated in the audited financial statements.

What are the important elections and how do they relate to a congregation when making the CEWS attestation (form RC661)?

- The following elections in Part II A should be checked off to the extent that the elective has been chosen based on the explanation in the criteria column.

| RC661 - Part II A | |
|---|---|
| Elective | Criteria |
| a joint election, along with each other member of the group of eligible employers that prepares consolidated financial statements, under paragraph 125.7(4)(a) of the Income Tax Act (revenue determined on a non-consolidated basis for members of the employer's group). | Not applicable to congregations |
| a joint election, along with each other member of the affiliated group, under paragraph 125.7(4)(b) of the Income Tax Act (revenue determined on a consolidated basis for the employer's group). | Not applicable to congregations |
| an election under paragraph 125.7(4)(c) of the Income Tax Act (joint venture election). | Not applicable to most congregations, unless involved in a joint venture (e.g. an affordable housing joint venture with a developer) |
| a joint election, along with each person or partnership with which the employer does not deal at arm's length and from whom the employer earns all or substantially all of its qualifying revenue under paragraph 125.7(4)(d) of the Income Tax Act (non-arm's length revenue). | Not applicable to congregations |
| an election under paragraph 125.7(4)(e) of the Income Tax Act (cash method or accrual method). | Yes, if the cash method was used when calculating revenues, rather than the accrual method |
| an election, or joint election with the seller where applicable, under paragraph 125.7(4.1)(e) of the Income Tax Act (asset sales). | Could be applicable in the case of congregations that merged or amalgamated in 2019 or 2020 |
| an election under clause (b)(ii)(A) of the definition "prior reference period" in subsection 125.7(1) of the Income Tax Act (prior reference period for claim periods 1 to 4). | Yes, if the average of Jan/Feb was used as the reference period (rather than the corresponding period in 2019) for claim periods 1-4 |
| an election under clause (b)(ii)(B) of the definition "prior reference period" in subsection 125.7(1) of the Income Tax Act (prior reference period for claim period 5 onward). | Yes, if the average of Jan/Feb was used as the reference period (rather than the corresponding period in 2019) for claim periods 5 and onward |
| an election under subparagraph (a)(ii) or (b)(ii) of the definition "qualifying revenue" in subsection 125.7(1) of the Income Tax Act (election by registered charity or not-for-profit (including a prescribed organization that is a registered charity or a not-for-profit organization that is a public institution), to exclude government funding). | Yes, if you have chosen to exclude government funding from revenue |
| an election under subparagraph (b) of the definition "baseline remuneration" in subsection 125.7(1) of the Income Tax Act in respect of one or more eligible employees (election in respect of eligible employee's baseline remuneration). | Yes if you have chosen one of the optional periods other than January 1 to March 15 to calculate baseline pay for this period. |

What are the CEWS updates as they relate to parishes consisting of multiple congregations that share a pastor or congregations that purchase the services of a pastor from another congregation?

Up until August, regulations required that CEWS submissions be based on the employer's revenue, i.e. the parish or the congregation that actually employed the pastor.

Changes to these regulations were announced in August. Each congregation with its own employees (e.g. pastor), or a congregation that is in an arrangement where a parish is the employer or a congregation that purchases pastoral (or other employee services) from another congregation should each submit their own CEWS applications, to the extent they are eligible to do so, based on their own individual congregational revenues and their individual congregational portion of the payroll costs.

In the case that a congregation doesn't currently have a payroll number with the CRA, the CRA may request that it obtain a number (or the CRA may assign a payroll number) in order to receive payment for any CEWS subsidies for which it is eligible.

Any CEWS applications that were previously submitted according to the pre-August August version of the regulations should not be resubmitted, but any future submissions (including those applying back to period 1) should be based on the current regulations that were announced in August.

Questions? As further information becomes available, it is our commitment to you that we will continue to keep in communication with new updates as they become available. Please contact your Synod Office and the ELCIC National Office with any specific questions.