

Tax Measures to Support Canadians and Businesses during COVID-19



The federal government has made various announcements for Canada's COVID-19 Economic Response plan (the Response Plan) to help Canadians facing hardship as a result of the COVID-19 spread and impact. The Response Plan includes measures aimed at those who may experience financial insecurity with the public health policies put into place, as well as broader tax changes and proposals that may impact Canadian taxpayers and businesses.

This article outlines the announcements made in the Response Plan as well as changes outlined in the enacted legislation and is current as of April 3, 2020.

Flexibility for Taxpayers

- **For individuals other than trusts, the tax return filing due date has been extended to June 1, 2020** (from April 30, 2020). However, for individuals who receive the Goods and Services Tax Credit (GSTC) or the Canada Child Benefit (CCB), it may be beneficial to file as soon as possible to ensure that their entitlements under the 2020-21 benefit year are not delayed.
- The Response Plan does not mention a filing extension relating to the tax return filing deadline for individuals (and their spouses or common-law partners) who report self-employment income. As such the tax return filing deadline for the 2019 tax return remains June 15, 2020.
- **For trusts with a December 31, 2019 year end, the tax return filing due date has been extended to May 1, 2020** (from March 30, 2020). The Canada Revenue Agency (CRA) has also provided in a subsequent announcement that the filing due date for all other trusts that otherwise have a filing due date in April or May has been extended to June 1, 2020.
- The CRA announced administrative tax measures extending the filing deadlines to **May 1, 2020 for partnership information returns and NR4 - Statement of Amounts Paid or Credited to Non-residents of Canada**. It was also announced that the filing deadline for all other information returns otherwise due after March 18, 2020 and before June 2020 would be extended to June 1, 2020. As the situation develops, you should speak with your tax advisor to understand if any administrative measures may apply to your situation.
- **The CRA will allow taxpayers to defer payment of any income tax amounts that become owing on or after March 18, 2020 until September 1, 2020.** This relief would apply to tax balances due and instalment payments and no interest or penalties would accumulate during this period. Taxpayers who are required to remit quarterly instalments may benefit from deferring their June 15, 2020 instalment by an additional 11 weeks.
- On March 17, 2020, **Québec announced similar measures extending the deadline to file a tax return to June 1, 2020.** In the wake of the federal announcements,

the deadline for applying balances due related to taxes owing for the 2019 taxation year is postponed to September 1, 2020. For those who make instalment payments, the June 15, 2020 tax instalment is suspended until September 1, 2020.

- As a temporary administrative measure, the CRA will recognize electronic signatures to reduce the necessity for taxpayers and tax preparers to meet in person while social distancing is recommended.

Income Support for Individuals

- As a result of the volatile market conditions and the impact on many retirement savings, **the required minimum withdrawals from Registered Retirement Income Funds (RRIFs) is reduced by 25% for the 2020 tax year.** This change applies to all types of RRIFs including Life Income Funds (LIFs) and other locked-in RRIFs. This will provide flexibility for retirees who may be concerned with the requirement to liquidate their RRIF assets to meet the required minimum withdrawal. Similar rules would apply to individuals receiving variable benefit payments under a defined contribution Registered Pension Plan (RPP) and Pooled Registered Pension plan (PRPP).
- Under the legislation enacted on March 25, 2020, the **Canada Emergency Response Benefit (CERB)** will provide a taxable benefit for workers who lose their income as a result of the COVID-19 pandemic of **\$2,000 for each four-week period for up to 16 weeks during the period March 15, 2020 to October 3, 2020.** The CERB replaces the previously announced Emergency Care Benefit and Emergency Support Benefit and provides income support for workers who are at least 15 years of age, who in 2019 or the 12 months preceding an application for the CERB, had total employment or self-employment income of at least \$5,000 and ceases working for 14 consecutive days (within the initial four-week period) when they apply for the payment.

Individuals that may benefit from the CERB include those:

- Who have lost their job, are sick, quarantined, or taking care of someone who is sick with COVID-19;
- Who must stay home without pay to care for children

who are sick or at home because of school and daycare closures;

- Workers who remain employed but are not receiving income because of disruptions to their work situation due to COVID-19, would also qualify for the CERB;
- Wage earners, as well as contract workers and self-employed individuals who would not otherwise be eligible for Employment Insurance (EI).

Individuals who quit their employment voluntarily will not be eligible for the CERB. In addition, individuals who are currently receiving EI regular and sickness benefits today will continue to receive their benefits and should not apply to the CERB.

Applications will be accepted starting on April 6, 2020 and can be done online with CRA My Account or over the phone with an automated phone service.

- The enacted legislation provides a one-time special payment starting April 9, 2020 through the GSTC for low- and modest-income families who may require additional help with their finances. The average additional benefit will be approximately \$400 for eligible individuals and \$600 for eligible couples. There is no need to apply for this special payment, eligible taxpayers will receive it automatically.
- For families receiving Canada Child Benefit (CCB), the government announced an extra \$300 per child for 2019-2020 benefit year. This will be an increase of approximately \$550 on average and will be received as part of their scheduled May payment.
- More detailed information on support available to individuals can be found on the Government of Canada website: <https://www.canada.ca/en/department-finance/economic-response-plan.html#individuals>

Support for Students

- The enacted legislation suspends interest and payments for students from March 30, 2020 to September 30, 2020. No interest will be payable by a borrower on a guaranteed student loan and no amount of principal and interest on a guaranteed student loan is required.

Support for Businesses

- The Response Plan includes several measures to support businesses in addition to the coordinated package announced on March 13, 2020 to support markets and the financial sector and financing for Canadian businesses.
- **The Response Plan includes a temporary wage subsidy (TWS) for a period of three months starting on March 18, 2020 for eligible small employers.** The subsidy will be equal to 10% of the remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Eligible employers will include individuals (other than trusts), certain partnerships, non-profit organizations, registered charities and corporations eligible for the small business deduction.
- **The Canada Emergency Wage Subsidy (CEWS) was announced on March 27, 2020 for eligible employers who have seen a 30% decrease in revenue.** The CEWS will provide a 75% wage subsidy for up to 12 weeks from March 15, 2020 to June 6, 2020. The maximum amount of the subsidy is \$847 per week per employee and there is no overall limit on the CEWS that an eligible employer can receive. An eligible employer will include individuals (other than trusts), certain partnerships, non-profit organizations, registered charities and taxable corporations. Where an employer is eligible for **both** the CEWS and TWS, any amount received under the TWS for remuneration paid in a specific period will generally reduce the amount available to be claimed under the CEWS in that same period.
- **Businesses and self-employed individuals can defer the remittance of their Goods and Services Tax/ Harmonized Sales Tax (GST/HST), as well as customs duties owing on their imports that are due after March 27, 2020 until June 30, 2020.** The deadline for filing GST/HST returns has not been extended. However, the CRA recognizing the difficult circumstances facing businesses has indicated that penalties will not be imposed where a return is filed late, provided it is filed by June 30, 2020.

- The Response Plan also includes measures to ensure businesses have access to credit so that they remain resilient. The Business Development Bank of Canada and Export Development Canada will be coordinating with various lenders on credit solutions for individual businesses.
- More detailed information on support for businesses can be found on the Government of Canada's website: <https://www.canada.ca/en/department-finance/economic-response-plan.html#businesses>

Flexibility for Corporations

- **The CRA will allow businesses to defer payment of any income tax amounts that become owing on or after March 18, 2020 until September 1, 2020.** This relief would apply to tax balances due and instalment payments and no interest or penalties would accumulate during this period.
- The CRA announced administrative tax measures that would extend the filing deadline to June 1, 2020 for corporate income tax returns otherwise due after March 18, 2020 and before June 1, 2020.

Provincial Measures

- At the time of writing, certain provinces have also announced various tax extensions for businesses:
 - **Alberta's measures for businesses extend the deadline for income tax instalment payments and income taxes owing until August 31, 2020 and extend the filing deadline for corporate income tax returns due after March 18, 2020 and before June 1, 2020 to June 1, 2020.** Additional financial support has also been announced including the reversal of the provincial education property tax rate increase and the deferral of certain payments such as the education property tax and the Worker's Compensation Board premiums.

- **British Columbia has announced an extension to September 30, 2020 for making employer health tax payments** (for businesses with a payroll over \$500,000) to September 30, 2020 and filing and payments relating to the provincial sales tax, short-term accommodation tax, tobacco tax, motor fuel tax, and carbon tax.
- **Manitoba has announced an extension for provincial income tax and corporate income tax payments and filings to August 31, 2020.** In addition, Manitoba has previously extended the filing deadline for Retail Sales Tax returns for **certain businesses to June 22, 2020** (from April 20, 2020 and May 20, 2020). Entitled businesses who late file for the March 20, 2020 filing will be exempt from late filing penalties and interest if the return is filed before June 22, 2020.
- **Ontario has announced that interest and penalties will not apply for businesses who miss a filing and payment remittance deadline during the period April 1, 2020 to August 31, 2020** for the Employer Health Tax (EHT), tobacco and beer, wine and spirits taxes, fuel and gas taxes, mining tax, insurance premium tax and retail sales tax on insurance contracts and benefits plans. The EHT exemption will be temporarily increased to \$1 million (from \$490,000) for 2020.
- **Québec's measures for businesses extend the deadline for income tax instalment payments and income taxes owing until September 1, 2020.** Quebec has extended the Quebec Sales Tax payment and filing due date for March, April and May 2020 until June 30, 2020 and will be exempt from late filing penalties and interest. In addition, various additional tax administration measures have been introduced for business tax credits and refunds. More detailed information on Quebec relief measures can be found on the Revenu Québec website: <https://www.revenuquebec.ca/en/coronavirus-disease-covid-19/relief-measures-for-individuals-and-businesses/>

- On March 18, 2020 it was announced that the CRA will not initiate any post assessment GST/HST or Income Tax audits for at least the next four weeks to any small or medium businesses. In addition, for the majority of businesses, the CRA will temporarily suspend audit interaction with taxpayers and their representatives.
- The CRA's Liaison Officer service will now be available by phone (not just in-person) to help small business owners understand their tax filing and payment obligations.

As the situation relating to COVID-19 is rapidly changing, reach out to your TD advisor and your tax and legal advisors to understand how these measures may be available to you and/or your business.



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