

TAXTALK

COVID-19 Tax Measures – March 27, 2020

On March 25, 2020 and March 27, 2020 the federal government announced some additional updates to their response plan. Ontario also recently announced some measures that may help businesses.

Summary of the recent federal and Ontario changes impacting Business and Individuals

- Increase in wage subsidies to 75 percent, backdated to March 15th. Further details on this update are expected to be announced on Monday March 30th.
- Deadline for March 31st payment of GST/HST and import/export duty has been extended to June 30th. Further details on this update are expected to be announced on Monday March 30th.
- Extension of March 31st filing deadlines to June 1st for most tax returns, election forms and notices of objection.
- Extension of March 30th filing deadline to May 1st for Trust Returns (T3) with December 31st year-ends.
- Extension of March 31st filing deadline to May 1st for Partnership Returns (T5013) and Statement of Amounts Paid to Non-residents (NR4).
- New Canada Emergency Response Benefit (CERB) measures that replace the previously announced Emergency Support Benefit and Emergency Care Benefit.
- Additional \$300 of Canada Child Benefit amounts of \$300 to be paid to taxpayers.
- Temporary increase to the Ontario Employer Health Tax (EHT) exemption for 2020 from \$490,000 to \$1 million.
- Allowing employers to defer payments for up to six months Workplace Safety and Insurance Board (WSIB).

Canada's COVID-19 Economic Response Plan Web Portal

The federal government has set-up the following **COVID-19 Economic Response Plan** web portal which summarizes all previously announced measures and future updates to these measures.

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

Tax Filing Deadlines and Payment of Taxes for Businesses and Individuals

As of March 27, 2020, below is a summary of the various changes announced by the federal government. Its entirely possible further changes that help delay filings and defer tax payments may be forthcoming.

	Tax Filing Deadlines		Payment Deadlines	
	Normal	New Extended	Normal	New Extended
Individuals (T1)	April 30, 2020	June 1, 2020	April 30, 2020	September 1, 2020
Individuals - self-employed (T1)	June 15, 2020	No change	April 30, 2020	September 1, 2020
Corporations (T2)	6 months after year-end	No change	2 months after year-end (**)	September 1, 2020
Trusts (T3) *	March 30, 2020	May 1, 2020	March 30, 2020	September 1, 2020
Partnerships (T5013)	March 31, 2020	May 1, 2020	Not applicable	Not applicable
Summary of Payments to Non-Residents (NR4)	March 31, 2020	May 1, 2020	1 month after payment to non-resident	No change
GST/HST – monthly (***)	1 month after reporting period	No change	1 month after reporting period	June 30, 2020
GST/HST – quarterly (***)	1 month after reporting period	No change	1 month after reporting period	June 30, 2020
GST/HST – yearly (***)	3 months after reporting period	No change	3 month after reporting period	June 30, 2020

(*) For Trusts with a December 31st year-end.

(**) For CCPCs (Canadian Controlled Private Corporations), the deadline for tax payments is 3 months after the taxation year-end on tax payable income eligible for the small business deduction.

(***) The deferral will apply to GST/HST remittances for the February, March and April 2020 reporting periods for monthly filers; the January 1, 2020 through March 31, 2020 reporting period for quarterly filers; and for annual filers, the amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year.

Post Assessment Audits

The CRA said they will not contact any small or medium businesses to initiate any post assessment GST/HST or income tax audits for approximately four weeks.

The CRA also says it will temporarily suspend all audit interaction with taxpayers and representatives for most businesses.

Changes Affecting Businesses

Temporary Wage Subsidy

On March 18 and 25, 2020 the federal government announced a temporary three-month wage subsidy for eligible employers equal to 10% of the remuneration paid during the three month future period, to a maximum of \$1,375 per employee (equivalent to \$55,000 of annual salary with \$13,750 gross salary paid over these three months) and \$25,000 per employer.

On March 27, 2020, the federal government announced that they would increase the wage subsidies to 75%, dated back to March 15th. However, we will not know further details on this increase until the week of Monday March 30th, when further details are expected to be provided. We are unsure at this point if the maximum subsidy of \$1,375 per employee and \$25,000 per employer will change with this 75% increase. It is not known at this point if there will be any changes to the eligibility criteria.

“Eligible employers” are now defined to include any person or partnership that employs at least one individual in Canada, has a CRA payroll number on March 18, 2020, and is any one of the following:

- i. most Canadian-controlled private corporations (“CCPC”), based on eligibility for the small business deduction (see below): that has more than \$0 small business limit in its last taxation year, or if there was no prior taxation year then for the notional fiscal year ending on March 18, 2020;
- ii. an individual (other than a trust);
- iii. a partnership, all the members of which are described in (i), (ii), (iii) or (v);
- iv. a non-profit organization; or
- v. a registered charity

Eligibility for a CCPC requires that the CCPC had a business limit, for purposes of the small business deduction, greater than \$0 for its most recent tax year ended prior to March 18, 2020.

An employer that is part of an associated group that has over \$15 million of “taxable capital” in the previous taxation year, in aggregate, will not qualify for this subsidy since the “eligible employer” definition requires entitlement to at least \$1 of small business limit.

HOW TO APPLY FOR THIS BENEFIT

- For the period beginning on March 18, 2020 and ending on June 30, 2020, the eligible employer will need to manually calculate the subsidy as a reduction to the required payroll income tax remittance. The subsidy only reduces income tax remittances. It cannot reduce remittances of CPP or EI contributions.

Temporary Ontario Employer Health Tax (EHT) Exemption

The announcement from Ontario temporarily increases the EHT exemption. Under this change, employers with a total annual remuneration of less than \$5M would be exempt from EHT on up to \$1 million (from \$490,000) of their payroll, retroactive to January 1, 2010.

The exemption threshold would return to its current level of \$490,000 of payroll on January 1, 2021. The highest EHT rate is 1.95%. The maximum potential tax savings from this change would be \$9,945.

HOW TO APPLY FOR THIS BENEFIT

- The EHT exemption increase can be claimed as part of a businesses regular Ontario EHT tax filings.

Deferred Workplace Safety and Insurance Board (WSIB) Premiums

This relief will allow employers to defer premium payments until August 31, 2020. The premium deferral impacts who report and pay monthly, quarterly or annually based on their insurance earnings. Also, no interest will accrue on outstanding premium payments and no penalties will be charged during the deferral period.

HOW TO APPLY FOR THIS BENEFIT

- All employers covered by the WSIB's workplace insurance are automatically eligible for the financial relief package. This means that businesses can defer premium reporting and payments until August 31, 2010.

Changes Affecting Individuals

Canada Emergency Response Benefit

The previously proposed **Emergency Care Benefit** and **Emergency Support Benefit** announced on March 18, 2020 are now combined into the **Canada Emergency Response Benefit (CERB)**.

The CERB will provide a taxable benefit of \$2,000 per month for up to 4 months for the following:

- workers who must stop working due to COVID19 and do not have access to paid leave or other income support.
- workers who are sick, quarantined, or taking care of someone who is sick with COVID-19.
- working parents who must stay home without pay to care for children that are sick or need additional care because of school and daycare closures.
- workers who still have their employment but are not being paid because there is currently not sufficient work and their employer has asked them not to come to work. **(new)**
- wage earners and self-employed individuals, including contract workers, who would not otherwise be eligible for Employment Insurance. **(new)**

The legislation requires the applicant of the CERB to be an “eligible worker”, which means that they must be:

- at least 15 years of age;
- resident in Canada; and
- for 2019 or in the 12 month period preceding the day on which they make an application had a total income of at least \$5,000 from
 - employment;
 - self-employment; and
 - certain EI benefits (maternity and parental benefits).

Important comments on the eligibility of claiming the CERB

- The employed or self-employed worker must cease work within any four week application period for reasons related to COVID-19 for at least 14 consecutive days within the four-week period in respect of which they apply for the payment.
- For the period of cessation of work, the applicant cannot receive employment income, self-employment income or any other EI benefits.
- Workers that quit voluntarily are not eligible for the CERB.
- CERB benefits will be paid every 4 weeks and will be available from March 15, 2020 to October 3, 2020 and is expected to arrive within 10 days of submitting the application.
- Canadians already receiving EI regular benefits should not apply for the CERB. EI benefits will continue to be paid. However, if EI benefits end before October 3, 2020 and if the taxpayer is unable to return to work due to COVID-19 then an application for CERB benefits can be made.
- Canadians who have already applied for EI and whose application has not yet been processed will not need to reapply.

HOW TO APPLY FOR THIS BENEFIT

- A secure web portal for accessing the CERB will be available in early April. Applicants will also be able to apply via an automated telephone line or via a toll-free number. Further details will be issued by the federal government with respect to applying for this benefit.

One Time GST Credit for Individuals

This one time special payment will be paid in May through the GST credit for low and modest income families and there is no need to apply. The payment is automatically paid in May and there is no requirement to file 2019 personal tax returns in order to receive it.

The average additional benefit will be close to \$400 for single individuals close to \$600 for couples.

The maximum entitlement will be \$443 for single individuals and \$580 for couples. An extra \$153 for each child under the age of 19 and residing with the individual will also be provided.

Similar to the normal GST credit, the one-time GST credit begins phasing out at 5 cents for every dollar of family income earned in 2018 over \$37,789.

HOW TO APPLY FOR THIS BENEFIT

- GST credits for the period July 2019 to June 2020 are determined and processed as part of your 2018 T1 Individual Income tax filings.
- The GST credit payment is automatically paid in May and there is no requirement to file 2019 personal tax returns in order to receive it.

Canada Child Benefit (CCB)

An extra \$300 per child will be paid to taxpayers who already receive the CCB. This benefit will be paid as part of the scheduled CCB payment in May.

The CCB is calculated every July, with the benefit payment being calculated based on adjusted family net income from the previous year. Entitlement to this additional amount is based on the 2018 taxation return, so individuals will not be required to file their 2019 return in order to obtain this increased CCB amount in May 2020.

HOW TO APPLY FOR THIS BENEFIT

- There are three main ways to apply for the CCB
 - When you have a newborn you can register for the CCB by paper at the hospital.
 - You can register online through “My Account” (your personal CRA account).
 - You can file by mail using Form RC66, Canada Child Benefits Application.
- Visit the following web link for further details for registration:
 - <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-child-benefit-overview/canada-child-benefit-apply.html>
- Those who already receive the CCB do not need to re-apply.

Student Loans

For all individuals repaying Canada Student Loans the government is proposing a six-month interest-free moratorium. Effective March 30th, the federal government is placing an interest-free moratorium on the repayment of Canada Student Loans for all student loan borrowers. No payment will be required and interest will not accrue during this time.

HOW TO APPLY FOR THIS BENEFIT

- Students do not need to apply for the repayment pause. It will occur automatically.

It should also be noted that most provinces and territories with student loan programs are also following the federal government’s relief on payment and interest on student loans.

RRIF Withdrawals

For seniors with Registered Retirement Income Funds (RRIF's), the required minimum withdrawals will be reduced by 25% for 2020 so that seniors may avoid unnecessary liquidation and withdrawals while stock market conditions are unfavourable and allow for a deferral of tax on funds not needed to meet living expenses.

HOW TO APPLY FOR THIS BENEFIT

- The taxpayer holding the RRIF account will need to coordinate with their bank or investment advisor to reduce the RRIF payments.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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