

Tax Measures to Support Canadians and Businesses during COVID-19



On March 18, 2020, the federal government announced 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 announcements made by the Prime Minister, Justin Trudeau and Minister of Finance, Bill Morneau, include measures to alleviate some of the financial burden for Canadian individuals and businesses.

The Response Plan includes measures aimed at those who may experience financial insecurity with the public health policies put into place, however the Response Plan also includes broader tax changes and proposals that may impact Canadian taxpayers and businesses.

On March 25, 2020 the proposed measures received royal assent under Bill C-13, the following article outlines the announcements made in the Response Plan as well as changes outlined in the enacted legislation:

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 Response Plan does not provide any information for trusts with a year-end other than December 31, 2019 which may impact Graduated Rate Estates with a year-end that does not coincide with a calendar year.
- **The Canada Revenue Agency (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 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.
- Under the enacted legislation, 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 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.

- The enacted legislation provides a one-time special payment by early May 2020 through the GSTC for low-and modest-income families who may require additional help with their finances. For families receiving CCB, this will be an increase of approximately \$550 on average and will be received as part of their May payment.

Support for Students

- The enacted legislation suspends interest and payments for students from March 30, 2020 to Sept 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.
- For business owners, the Response Plan includes measures to help businesses keep their workers with a temporary wage subsidy for a period of three months for eligible small employers. **The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.** Eligible employers would include corporations eligible for the small business deduction as well as non-profit organizations and charities.
- 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.

Flexibility for Businesses Paying Taxes

- **The CRA will allow businesses to defer payment of any income tax amounts that become owing on or after the date of the announcement, 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.

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.** 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 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.
- **Québec's measures for businesses extend the deadline for income tax instalment payments and income taxes owing until September 1, 2020.**

- 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.



The information contained herein has been provided by TD Wealth and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. TD Wealth represents the products and services offered by TD Waterhouse Canada Inc., TD Waterhouse Private Investment Counsel Inc., TD Wealth Private Banking (offered by The Toronto-Dominion Bank) and TD Wealth Private Trust (offered by The Canada Trust Company). All trademarks are the property of their respective owners. ® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.