

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 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.

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 sooner 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. 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 the calendar year end of December 31.
- **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) will be 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.
- The Response Plan includes several measures targeted at workers and parents who may not be paid during a period of sickness, quarantine or forced to stay at home to care for children. The waiting period for Employment Insurance (EI) will be temporarily waived as of March 15, 2020 in addition to waiving the requirement to provide a medical certificate to access EI sickness benefits.
- For self-employed individuals who would not otherwise qualify for EI sickness benefits, the government has introduced the **Emergency Care Benefit which provides up to \$900 bi-weekly, for up to 15 weeks,** and will be administered through the CRA. This benefit will provide income support for:
 - self-employed individuals who are sick with COVID-19 or quarantined;
 - self-employed individuals who are taking care of a family member sick with COVID-19; and
 - parents with children who require care or supervision who are unable to earn employment income during school closures.
- The federal government is proposing to provide 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. **The Response Plan also proposes to increase the maximum annual CCB payment amounts by \$300 per child for the 2019-20 benefit year.** For families receiving CCB, this will be an increase of approximately \$550 on average; these families will receive an extra \$300 per child as part of their May payment.

- The Response Plan also provides additional measures for longer-term income support for individuals who lose their jobs or face reduce hours as a result of public health measures related to COVID-19.

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 as well as providing Canadian financial institutions with the necessary actions to allow for additional lending.

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 measures relating to the extension to pay income tax amounts for businesses. Québec's measures for businesses extend the deadline for tax instalment payments and taxes owing until September 1, 2020. Alberta's measures for businesses extend the deadline for tax instalment payments and taxes owing until August 31, 2020.
- The CRA will not initiate any post assessment GST/HST or Income Tax audits for 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 or your business.



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