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News Update – Canadian Tax Measures

The Government of Canada has announced measures to support Canadians and Canadian businesses from the economic impacts of COVID-19. Measures include tax filing/tax dispute deadline extensions, as well as economic support through emergency benefit credits for workers and credit and financing options for Canadian businesses.

Extensions – Returns/Filing

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| Individuals (not self-employed) | Deadline extended to June 1, 2020 from April 30, 2020. | Balance owing deadline extended from April 30, 2020 to September 1, 2020. This includes the instalment payment ordinarily due June 15, 2020 for those who pay by instalments. Penalties and interest will not be assessed if the amount due is paid by September 1, 2020. |
| Individuals (self-employed and their spouse/common-law partner) | Deadline remains June 15, 2020. | Balance owing deadline extended from April 30, 2020 to September 1, 2020. This includes the instalment payment ordinarily due June 15, 2020 for those who pay by instalments. Penalties and interest will not be assessed if the amount due is paid by September 1, 2020. |
| Corporations | Deadline extended to June 1, 2020 for corporations that would otherwise have a filing due date after March 18 and before June 1, 2020. | Balance owing deadline extended to September 1, 2020 for corporate balances and instalments due on or after March, 18 |

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| | | and before September 1, 2020. Penalties will not be assessed if the amount due is paid by September 1, 2020. |
| Trust and Estate Returns | <p>Deadline extended to May 1, 2020 from March 30, 2020 for trusts and estates with December 31, 2019 year ends.</p> <p>Deadline extended to June 1, 2020 for those trusts and that would otherwise have a filing due date in April or May 2020.</p> | Balance owing deadline extended to September 1, 2020 for income tax balances and instalments due on or after March 18 and before September 1, 2020. |
| Partnership Returns | Deadline extended to May 1, 2020 for partnerships with an original March 31, 2020 deadline. | N/A |
| Non-resident Information Returns for Amounts Credited or Paid to Non-residents | Deadline extended to May 1, 2020 from March 31, 2020. | Balance owed still remains as 15 th day of the month following the month an amount was credited or paid to a non-resident. |
| GST/HST Returns | Filing deadlines have not changed; however, the CRA has confirmed it will not impose penalties where a return is filed late provided that it is filed by June 30, 2020, and the XRA will not be processing paper returns until operations return. CRA is | <p>Monthly filers: amounts collected for February, March, and April 2020 reporting periods is extended until June 30, 2020.</p> <p>Quarterly filers: amounts collected for the January 1, 2020 through March 31, 2020 reporting periods is</p> |

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| | <p>“encouraging” registrants to file online.</p> | <p>extended until June 30, 2020.</p> <p>Annual filers, whose GST/HST return or instalment are due March, April, or May 2020, have to remit amounts collected and owing for the previous fiscal year (and instalments of GST/HST in respect of the filer’s current fiscal year) by June 30, 2020.</p> |
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Extensions – Tax Disputes/Audits

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| <p>Audits</p> | <p>CRA will not initiate contact with taxpayers for audits.</p> <p>Some exceptions may include limited risk and exception cases or cases of high-risk GST/HST refund claims which require some contact before being paid out.</p> <p>The CRA will generally not contact small or medium (SME) businesses to initiate any post-assessment GST/HST or income tax audits until the end of April, at minimum.</p> <p>No requests for information related to existing audits will be made, and no audits will be finalized.</p> |
| <p>Objections</p> | <p>No reassessments should be issued until the end of April, at minimum.</p> <p>Any objections related to Canadians’ entitlement to benefits and credits have been identified as a critical service and will continue to be processed.</p> <p>All other objections related to other tax matters filed by individuals and businesses will be held in abeyance. No collection actions will be taken.</p> <p>Any deadline to file an objection or a related request due March 18 or later is effectively extended until June 30, 2020.</p> |

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| Collections | <p>Collection actions on new debts will be suspended until further notice.</p> <p>Financial institutions and employers do not need to comply or remit on existing Requirements to Pay (RTPs) during at least until the end of April, and possibly until May.</p> |
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| Tax Court | <p>The Tax Court has cancelled its judicial sittings and conference calls until May 1, 2020. Time has stopped running for the purposes of calculating deadlines with The Tax Court. The Tax Court has further ordered that the Tax Court is closed until further notice.</p> |

Measures for Corporations

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| Canada Emergency Wage Subsidy | <p>The Canadian government announced a 75% wage subsidy for qualifying businesses for up to three months, retroactive to March 15, 2020.</p> <p>The Canada Emergency Wage Subsidy would apply at a rate of 75% of the first \$58,700 normally earned by employees, equivalent to a benefit of up to \$847/week. There is no overall limit to the subsidy amount that an eligible employer may claim. However, any amount received by an eligible employer will be considered taxable income.</p> <p>The Canada Emergency Wage Subsidy will not be tied to employer payroll source deductions; these amounts will continue to be required to be withheld from the employee's pay and remitted to the CRA.</p> <p>Eligible employers who suffer a drop in gross revenues of at least 15% in March and/or 30% in April, or May, when compared to the same month in 2019, or the average of January and February of 2020, would be able to access the subsidy. Each month should be examined independently to determine if the employer qualifies. If so, the employer will need to reapply for the subsidy every month. Revenue for this purpose is from business carried on in Canada and earned from arm's length sources.</p> <p>"Eligible Employers" include all employers other than public sector entities, i.e. municipalities, local government, etc. This includes corporations, partnerships, and sole proprietors, without a requirement that the entity be a Canadian controlled private corporation eligible for the small business deduction. Nonprofits and</p> |
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| | <p>charities who suffer losses of revenue will be assessed on a case-by-case basis for eligibility.</p> <p>An eligible employer's entitlement to the wage subsidy will be based entirely on the salary/wages actually paid to employees, and all employers would be expected to at least make best efforts to top up salaries to 100% of the maximum wages covered.</p> <p>The subsidy would be accessed by applying through an online CRA portal.</p> <p>Employers who do not qualify for the subsidy may continue to qualify for the 10% temporary wage subsidy program, if applicable, paid from March 18 to June 20, up to a maximum subsidy of \$1,375/employee and \$25,000/employer.</p> <p>An employer would not be eligible to claim the subsidy for remuneration paid to an employee that has not been without remuneration for more than 14 consecutive days in an eligibility period (a 4-week period).</p> <p>Penalties may apply in cases of fraudulent claims. Anti-abuse rules will be proposed to ensure that the subsidy is not inappropriately obtained and to ensure that employees are paid the amounts they are owed.</p> |
| Temporary Wage Subsidy for Employers | <p>Prior to the release of the Canada Emergency Wage Subsidy, the Canadian government released a temporary measure for employers referred to as the Temporary Wage Subsidy for Employers. Legislation concerning this temporary wage subsidy was recently passed in Parliament.</p> <p>The temporary subsidy is a three-month measure to allow eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA.</p> <p>Employers include individuals (not trusts), partnerships who pay salaries, wages, or bonuses to employees, nonprofits, registered charities, and Canadian controlled private corporations eligible for the small business deduction.</p> <p>The temporary wage subsidy is limited to 10% of the remuneration paid by an eligible employer between March 18, 2020 and June 20, 2020. There is a per employee cap of \$1,375 and a maximum total</p> |

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| | <p>subsidy of \$25,000 per employer. CCPCs that are associated with each other have their own \$25,000 limit which is not required to be shared.</p> <p>Eligible employers can reduce the income tax portion of their payroll remittances when they make their first remittance for remuneration paid after March 17, 2020, or they may choose not to reduce their payroll remittances at this time and instead calculate the total temporary wage subsidy for which they are eligible and request it paid to them at the end of the taxation year or transferred to their payroll remittance account in 2021.</p> |
| Working Capital Loan – COVID-19 | <p>New relief measures for qualified businesses include:</p> <ul style="list-style-type: none"> - working capital loans from the Business Development Bank of Canada (“BDC”) of up to \$2M with flexible terms and payment postponements for up to six months for qualifying businesses - deferred payments are for existing BDC clients with total BDC loan commitment of \$1M or less - loans require a GSA and personal guarantee by ownership |
| Business Credit Availability Program (“BCAP”) | <p>The Government of Canada has announced the launch of the new Canada Emergency Business Account, which will be implemented by eligible financial institutions in cooperation with Export Development Canada (“EDC”).</p> |
| Canada Emergency Business Account Program | <p>The \$25 billion program will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover operating costs while their revenues have been reduced during the COVID-19 crisis.</p> <p>Small businesses may apply for an interest-free loan of up to \$40,000, made through the small business’s financial institution. To qualify, each applicant must demonstrate that they paid between \$50,000 and \$1M in total payroll in 2019.</p> <p>Repaying the loan in full prior to December 31, 2022 will result in loan forgiveness of 25% of the loan being repaid, subject to a cap of \$10,000.</p> |
| Business Credit Availability Program (“BCAP”) | <p>EDC to guarantee up to \$20 billion in new operating credit and cash flow term loans issued by financial institutions to Small and Medium Enterprises. Each loan is capped at \$6.25 million with EDC guaranteeing 80% of each loan. Loans are to be repaid within one year.</p> |
| Small and Medium | |

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| <p>Enterprise Loan and Guarantee Program</p> | <p>BDC to issue incremental credit to eligible Small and Medium Enterprises of up to \$6.25M per eligible Small and Medium Enterprise, jointly with financial institutions. BDC will finance 80% of the loan with the remaining 20% coming from financial institutions. This co-lending arrangement will make up an additional \$20 billion in financing available to Small and Medium Enterprises.</p> <p>Eligible Small and Medium Enterprises could avail themselves of up to \$12.5M through these two lending streams. Applications are to be made through the Small or Medium Enterprises' existing financial institution or other authorized financial institution.</p> |
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Measures for Individuals

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| <p>Improved Employment Income (“EI”) Sickness Benefits</p> | <p>EI Sickness Benefits provide up to 15 weeks of income replacement and is available to eligible claimants who are unable to work because of illness, injury, or quarantine, to allow them time to restore their health and return to work.</p> <p>Canadians who are quarantined can apply for EI Sickness Benefits. The one week waiting period for EI Sickness Benefits will be waived for new claimants who are quarantined so they can be paid for the first week of their claim.</p> <p>Individuals claiming EI Sickness Benefits due to quarantine will not have to provide a medical certificate. Those who are unable to complete their claim for EI sickness benefits due to quarantine may apply later and have their EI claim backdated to cover the period of delay.</p> |
| <p>Canada Emergency Response Benefit (“CERB”)</p> | <p>The CERB is a taxable benefit that will provide Canadians impacted by COVID-19 with \$2,000 per month for the next four months. The CERB would be paid every four weeks. The program is set to expire on October 3, 2020.</p> <p>The benefit applies to any Canadian over the age of 15 years, who was resident in Canada in 2019 and who had a total income of at least \$5,000 from employment or self-employment in either 2019 or in the 12 months immediately preceding their application. A person will be eligible if out of work due to reasons related to COVID-19 for at least 14 consecutive days within the four-week application period.</p> |

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The reasons for ceasing work or being out of work include sickness, quarantine, caregiving, staying home to take care of children out of school or daycares or sick family members or loss of jobs. Furloughed workers, those who are still technically employed but not receiving income, would also qualify for the benefit. The benefit would cover wage-earners, contract workers and self-employed individuals who would not otherwise be eligible for EI. In addition, people who are still employed but are not receiving income due to disruption of their work situation due to COVID-19 would also qualify.

A person cannot receive EI benefits (or other income) and the CERB for the same period. Those who are already receiving EI regular and sickness benefits should not apply for the CERB. Where a person has applied for EI benefits but their application has not been processed, an application for the CERB should be made. If eligible for EI benefits, these would be received after the four months of CERB benefits.

Canadians who have yet to apply for federal income support will be able to decide whether to apply for CERB or EI based on which may offer more financial support. Unlike EI, the CERB is not tied to the recipient's previous employment income. All recipients are to be paid \$2,000 per month.

As an individual's income rises, the CERB becomes less attractive. The maximum payment under the CERB, at \$500 a week, is less than the top EI weekly payment of \$572. Once a worker's annual income exceeds \$47,272, they would be better off collecting EI Sickness Benefits than the CERB.

An individual must make an application to collect the CERB for every four-week period. CERB payments will be made within ten days of the application. Applications must be made no later than December 2, 2020. The portal for online applications will open on the CRA's website Monday, April 6, 2020. Applications may also be made by phone (1-800-959-2019 or 1-800-959-2041).

Please Note: These materials do not constitute legal advice. Government initiatives, announcements and regulations in response to the COVID-19 situation continue to evolve and change frequently. As such, it is important to ensure you are aware of current information and that you consult with a lawyer before making your business decisions. For further information, please contact Jennifer Leve.