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Your Guide to Tax-Saving Strategies

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TAXSTRATEGY

2020 Fall Tax Update

Where Are We Now?

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We are officially into the autumn season. And who would have thought back in March of this year that we would still all be cooped up in our home office, and updating our wardrobe with the latest fashion focused on face coverings. In fact, I think my mask collection has officially taken over my extensive high heel collection (my feet are very thankful by the way). But enough of my wardrobe woes. It's time for a little update as to what the government is doing for us to continue to help relive the COVID woes.

On September 23, 2020, the Governor-General delivered a Throne Speech to open the sec-

ond session of the 43rd Parliament. Since the 2020 Federal Budget has yet to be announced, many tax practitioners paid extra attention to see what the government had on their agenda.

It would appear that the government is to release an update to Canada's Covid-19 Economic Response Plan. The Throne Speech outlined four main principals:

- Protecting Canadians from COVID-19 (fight the pandemic and save lives)

- Helping Canadians Through the Pandemic (support people and businesses through the crisis as long as it lasts)

- Building Back Better (a resiliency agenda for the middle class)

- Stand Up for Who We Are (defending Canadian values and ensuring they are lived experiences for everyone)

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From a tax perspective, the key takeaways can be summarized below (in addition to further CRA pronouncements for specific relief provisions):

Individuals

Stock Options: This has long been an issue near and dear to the government. Some Budgets ago, the government attended to shut down the deferral and tax benefits associated with issuance of stock options by limiting the deferral to \$100,000. That measure was since pulled back, but then a variation was introduced in the 2019 Federal Budget that focused on limiting the stock option benefits for executives of large corporations (although no details were released at the time as to how that would be applied). The Throne Speech again reiterated the restriction of stock option deductions for executives of large corporations – so we will have to sit tight until we get more specifics, but this issue is still at the forefront.

The First-Time Home Buyer Incentive: This plan allows for tax-free withdrawals from your RRSP if you are a first-time homebuyer (but withdrawals are currently limited to \$35,000). It was announced that this plan will be subject to further enhancements.

Old Age Security: OAS will be increased once individuals reach the age of 75. Higher CPP survivor benefits will also

be available.

Tax Filings: Free, automatic tax filing for simple returns is to be developed. This will be a welcome development as we are forced to move to a more digitized life.

Disability Inclusion Plan: This is a new plan to be introduced. It will have a new Canadian Disability Benefit modelled after the Guaranteed Income Supplement for seniors, a robust employment strategy for Canadians with disabilities; and a better process to determine eligibility for government disability programs and benefits.

Essential workers: Targeted measures for personal support workers, who do an essential service helping the most vulnerable in our communities will be provided.

The End of Canada Emergency Response Benefit (CERB) And The New Alternatives:

Unfortunately for many Canadians, CERB was not extended beyond September 26, 2020. The CRA is continuing to accept and process retroactive applications for period 7 (August 30 to September 26, 2020). But happily, there are some alternatives that are available for those Canadians that are still in need of assistance.

New EI: For many Canadians who were on CERB, they will transition to a more flexible and more accessible EI which is administered through Service Canada. Under EI, you will be required to self-report on your employment status and apply every two weeks in order to keep receiving support. Under the new EI, eligible Canadians may be able to collect EI through regular benefits

or special benefits.

EI regular benefits apply to individuals who involuntarily lost their jobs and are actively looking for work, while EI special benefits are for those who have been unable to work due to specific life circumstances, including sickness, maternity, parental benefits, as well as compassionate care or family caregivers.

Canada Recovery Benefit: There is however, a program called the Canada Recovery Benefit (CRB) that may offer some relief for those who were self-employed and may not necessarily meet EI eligibility. Similar conditions that were required to claim the CERB would be relevant for the CRB:

- you must have lost your job for a coronavirus-related issue;
- you cannot have left your job voluntarily;
- you have to have made \$5,000 in 2019 or the last 12 months for eligibility.

If you are eligible for the CRB, you can receive \$1,000 (\$900 after taxes withheld) for a 2-week period. If your situation continues past 2 weeks, you will need to apply again (and can apply up to a total of 13 eligibility periods (26 weeks) between September 27, 2020 and September 25, 2021). Those who apply for the CRB must be looking for work, and accept work “where it is reasonable to do so”.

Canada Recovery Sickness Benefit (CRSB): This new initiative provides \$500 per week for up to two weeks for workers who are sick or who must self-isolate due to COVID-19 due to the fact that they have an

underlying health condition that puts them at greater risk of getting COVID-19.

If your situation continues past 1 week, you will need to apply again. You may apply up to a total of 2 weeks between September 27, 2020 and September 25, 2021.

Canada Recovery Caregiving Benefit (CRCB): Those who are unable to work because they need to care for a child under the age of 12 or family member because schools and daycares are closed are entitled to the Canada Recovery Caregiving Benefit (CRCB), a benefit of up to \$500 per week (\$450 after taxes withheld) for up to 26 weeks per household. The benefit is also available for those caring for a child or family member who is sick and/or required to quarantine.

If your situation continues past 1 week, you will need to apply again (and may apply up to a total of 26 weeks between September 27, 2020 and September 25, 2021).

Businesses: Canada Emergency Wage Subsidy (CEWS): It was announced that the subsidy program for employers would be extended up until the summer of 2021 (although no specific details were announced about any potential changes to the program).

Canada Emergency Business Account (CEBA): It was announced that CEBA will be extended to October 31, 2020. If you look at the CRA stats.....last week alone, 4,880 CEBA applications were approved for \$195 million. To date, the program has approved 767,336 applications under CEBA and disbursed \$30.63

billion. I would highlight, of course, that any forgiven amounts under CEBA (up to the \$10,000 limit) will be subject to tax to the business (this is not a stat highlighted on the CRA website by the way).

Miscellaneous

☛ As part of their commitment to addressing corporate tax avoidance, the government announced that they would be focusing on digital giants. What that entails however,

remains to be seen.

☛ The government will launch a new fund to attract investments in making zero-emissions products and cut the corporate tax rate in half for these companies to create jobs. ☐