

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## TAXSTRATEGY

### Taxes...

# ...in the Time of Corona

**Samantha Prasad LL.B.**

What unexpected times we find ourselves in. First and foremost, to my readers: I hope you and yours are safe and well.

My articles around this time of the year usually revolve around the new tax measures as announced under the federal budget for the year. As I write this, the March 30 budget has been delayed with no set date yet. Parliament is not sitting. Everyone is doing his or her part to stay

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home (I hope!) People are losing their jobs, businesses are closing and everyone is doing their best to pay their bills and carry on to the best of his or her abilities. In such unprecedented times, the government is stepping in to provide some assistance. Below is a summary of some of the tax-related assistance programs that have been announced to date for individuals and businesses. If you find yourself hard hit economically by COVID-19, it is my hope that some of the following measures may be of help.

*(NOTE: as things change every day, it is possible that some of*

*the programs below may have changed between the time of writing and publishing, so please take the time to review the Government of Canada's website to keep as current as possible}.*

### Assistance for Individuals

#### Canada Child Benefit (CCB)

For 2019-2020, the government is providing an extra \$300 per child through the CCB. It is to be delivered as part of the scheduled CCB payment in May. If you already receive the CCB, then you do not need to re-apply for this benefit.

#### GST Credit

A one-time special payment, starting April 9, 2020, will be available through the GST credit for low and modest families. The average additional benefit will be close to \$400 for a single individual and close to \$600 for couples. If you are eligible, you will automatically receive this payment.

#### More time for filings

The April 30 filing due date for your 2019 tax return has

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been extended to June 1, 2020. Any new income tax balances, or installments, will also be deferred until after August 31, 2020 (without incurring any interest or penalties). *NOTE: if you are relying on the extra CCB or GST credit, then you may want to consider not waiting to file your tax returns.*

### Canada Emergency Response Benefit (CERB)

If you have lost your income as a result of the COVID-19 outbreak, and you are an “eligible worker”, then the government will provide you with a taxable benefit of \$2,000 for up to 4 months. This benefit is available for the period from March 15, 2020 to October 3, 2020.

An eligible worker is an individual who:

- ☛ is at least 15 years old and who resides in Canada
- ☛ who has stopped working because of COVID-19 and has not voluntarily quit his or her job (or is eligible for EI regular or sickness benefits)
- ☛ who had income of at least \$5,000 in 2019 or in the 12 months prior to the date of their application; and
- ☛ who is, or is expected to be, without employment or self-employment income for at least 14 consecutive days in the initial four-week period (for subsequent benefit periods, they expect to have no employment or self-employment income).

Per the government website, if you stopped working because of COVID-19, you should apply for the CERB, whether or not you are eligible for EI. If you have applied for EI regular or sickness benefits on or after March 15,

2020, then your EI claim will be automatically processed through the CERB.

### Registered Retirement Income Funds (RRIF)

Starting in the year after the year in which you establish a RRIF, you have to be paid (withdraw) a yearly minimum amount. This minimum amount is calculated based on your age at the beginning of the year. Such amounts will be taxed as income for the year. Under the new COVID-19 measures, the government has reduced the minimum withdrawals from RRIFs by 25 per cent for 2020.

### Student & Apprentice Loans

A moratorium is in place on the federal portion of all student loans – all loan repayments and interest payments are automatically suspended until September 30, 2020. You should double check with your particular province to see if payment is still required on its portion of the loan.

### Assistance for Businesses

#### Canada Emergency Wage Subsidy

In order to assist businesses to keep and retain their employees, the government has proposed a wage subsidy that would cover 75 per cent of salaries for eligible employers (other than public sector entities) for up to 3 months, retroactive to March 15, 2020.

Based on the current proposal, eligible employers include:

- ☛ individuals, taxable corporations, and partnerships consisting of individuals and taxable corporations (Note: non-profit organizations and registered charities also qualify);

☛ employers that have seen a drop of at least 30 per cent of their revenue (employers will have to attest to such a decline). Revenue will be calculated using the employer’s normal accounting method and would exclude revenues from extraordinary items and amounts on account of capital; and

☛ employers whose revenue is from businesses carried on in Canada and earned from arm’s length sources.

The amount of the subsidy for each employee on eligible remuneration paid between March 15, 2020 and June 6, 2020 would be the greater of:

- a) 75 per cent of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
- b) The amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 per cent of the employee’s pre-crisis weekly remuneration, whichever is less.

Employers will also be able to claim the subsidy for new employees. There is a special rule for employees that do not deal at arm’s length with the employer: the subsidy in such cases will be limited to the eligible remuneration paid in any pay period between March 15, 2020 and June 6, 2020, up to a maximum benefit of \$847 per week or 75 per cent of the employee’s pre-crisis weekly remuneration.

**Note:** There does not appear to be an overall limit on the subsidy amount that an eligible employer may claim. However, any such subsidy received by the employer will be included in their income for the year as government assistance, although the employer will be entitled to a deduction for the amount

of remuneration paid to employees. Moreover, this subsidy will reduce the employer's remuneration expenses eligible for tax credits calculated on the same remuneration (i.e. SR&ED credits).

If an employer does not meet the eligibility requirements and pay its employees accordingly, they will be required to repay the amounts received under this program and also could be subject to penalties in cases of fraudulent claims.

These rules are still not in final form, as additional details are still expected to be released. So, it may be prudent to wait until the final legislation relating to this program has been released before moving forward.

NOTE: Entities that do not qualify for the 75 per cent wage subsidy may be able to qualify for the 10 per cent wage subsidy.

### **More time for tax payments**

All businesses (including self-employed) are able to defer until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief extends to tax balances due as well as installments under Part I of the Income Tax Act (no interest or penalties will accumulate during this period).

All businesses (including self-employed individuals) will also be able to defer payments of GST/HST owing from March 27, 2020 until the end of May until June 30, 2020. Payments for GST and customs duty payments for imported goods owing

for March, April and May will be deferred to June 30, 2020.

### **Canada Emergency Business Account**

This measure will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits to help cover their operating costs during a period where their revenue has been temporarily reduced. Such businesses will need to demonstrate that they paid between \$50,000 to \$1,000,000 in total payroll for 2019. □

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