

## **FIRM UPDATE and COVID 19 ECONOMIC RESPONSE PLAN**

We are communicating with you today to provide an update on our Firm's policies during this time as well as provide information related to the government's COVID19 Economic Response Plan.

Our office remains open, but restrictions are in place to protect you, our team members, and their families. Many of our team are working remotely and measures have been put in place to reduce the risk of infection from the transfer of documents. We request that wherever possible you communicate with our offices via telephone or electronically and your documents be uploaded to our website portal or faxed to us. We will communicate any change in this situation to you.

### **COVID -19 Economic Response Plan**

The combined effects of the social distancing strategy and quarantines designed to slow down the spread of the COVID-19 virus result in people staying at home as much as possible and businesses temporarily closing. Unfortunately, one of the side effects of those measures is an increased financial strain on Canadians and Canadian businesses. The federal government announced various measures to reduce that financial strain on March 18, 2020.

Generally, there will be direct financial assistance for most families and businesses, a deferral of the requirement to pay income tax for Canadians and businesses, and a one-month extension of the Income Tax Return deadline for individuals and trusts. The financial assistance package includes increased availability of EI, increasing tax related benefits, and subsidizing small businesses' payroll remittances. Other indirect measures include reducing minimum RRIF withdrawals and suspending the repayment of certain student loans.

The details that are available are below and are also available at <https://www.canada.ca/en/department-finance/economic-response-plan.html#individual> .



## **Flexibility for Taxpayers**

The combination of the quarantines and possible hospitalization of those affected, social distancing and business closures will make it difficult for many people to file their returns and/or pay any taxes they owe. The following measures are being taken to address these issues.

### **Deferred Income Tax Return Filing**

The Canada Revenue Agency (CRA) will defer the filing due date for the 2019 tax returns of individuals, including certain trusts.

- For individuals (other than trusts), the return filing due date will be deferred one month until June 1, 2020.
  - There is still an incentive to file as soon as possible to properly determine benefits such as the GST Credit, Old Age Security or the Canada Child Benefit for 2020 to 2021.
- For trusts having a taxation year ending on December 31, 2019, the return filing due date will be deferred until May 1, 2020.
  - This appears to exclude most estate returns as they don't have calendar year ends.

At this time, there does not appear to be any extensions for any other returns including Corporate Tax Returns, Charity Returns, Partnership Returns, GST Returns or Payroll Tax Remittances. Presumably, relief from any penalties or interest charged due to missed deadlines would have to be applied for through the Taxpayer Relief provisions (Fairness). Note however, the government is proposing to extend payment due dates as discussed below.

### **Deferred Income Tax Payment**

All individual, business and trust taxpayers will be able to defer any payment of income taxes that become owing on or after today and before September 2020 until August 31, 2020. This relief would apply to income tax balances due, as well as instalments. No interest or penalties will accumulate on these amounts during this period.

This measure does not apply to GST, payroll remittances or any other non-income tax payments made to CRA. Relief from any interest or penalties charged can be applied for through the Taxpayer Relief provisions.

For corporations, this measure does not apply to the Refundable Dividend Tax payable on dividends received from portfolio investments and certain dividends from related or "connected" companies.

### **Other Measures**

Several other measures were added to assist Canadians and businesses.

For individuals, those measures include:

- CRA will recognize electronic signatures as having met the signature requirements of the *Income Tax Act*, as a temporary administrative measure;
- CRA will make its Outreach Program available to individuals during COVID-19. Traditionally available in-person, this service is now available over the phone, and through webinar, where possible.

For businesses, those include:

- Changing the “Canada Account” administered by Export Canada to allow for additional support to Canadian companies through loans, guarantees or insurance policies during these challenging times;
- Helping businesses keep their workers: provide eligible small employers a temporary wage subsidy for a period of three months:
  - Equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. Businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees’ remuneration (not allowed to reduce CPP and EI payments). Nothing more specific is available currently;
  - Employers benefitting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities;
- The CRA will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks and temporarily suspend audit interaction with taxpayers and representatives;
- The Liaison Officer service is now available over the phone and will be customizing information by ensuring small businesses are aware of any changes such as filing and payment deadlines, proactive relief measures, etc.

### **Temporary Income Support for Workers and Parents**

For Canadians without paid sick leave who are sick, quarantined or forced to stay home to care for children, the Government is:

- Waiving the one-week waiting period for those individuals in imposed quarantine that claim Employment Insurance (EI) sickness benefits. This temporary measure will be in effect as of March 15, 2020;
- Waiving the requirement to provide a medical certificate to access EI sickness benefits;
- Introducing the Emergency Care Benefit providing up to \$900 bi-weekly, for up to 15 weeks. This would be administered through the Canada Revenue Agency (CRA) and provide support to:
  - Workers, including the self-employed, who are quarantined or sick with COVID-19 but do not qualify for EI sickness benefits;
  - Workers, including the self-employed, who are taking care of a family member who is sick with COVID-19 but do not qualify for EI sickness benefits;
  - Parents with children who require care or supervision due to school closures, and are unable to earn employment income, irrespective of whether they qualify for EI or not.

The application for the Benefit will be available in **April 2020** and require Canadians to attest that they meet the eligibility requirements and re-attest every two weeks. Canadians will select one of three channels to apply for the Benefit:

1. by accessing it on their CRA MyAccount secure portal;
2. by accessing it from their secure My Service Canada Account; or
3. by calling a toll-free number equipped with an automated application process.

We recognize that you may need additional support or guidance in dealing with these situations for yourselves or your employees. The best option is to stay abreast of government information resources through their bulletins or Service Canada websites. Should you need additional assistance please contact our HR Solutions services.

### **Longer-Term Income Support for Workers**

For Canadians who lose their jobs or face reduced hours as a result of COVID's impact, the Government is:

- Introducing an Emergency Support Benefit delivered through the CRA to provide up to \$5.0 billion in support to workers who are not eligible for EI and who are facing unemployment.
- Implementing the EI Work Sharing Program, which provides EI benefits to workers who agree to reduce their normal working hours as a result of developments beyond the control of their employers, by extending the eligibility of such agreements to 76 weeks, easing eligibility requirements, and streamlining the application process.

Details of how to apply to these benefits are not fully known at this time and once known will be shared through government resources or additional firm bulletins. In the meantime, if you need additional assistance in managing reduction in hours/work force issues, please contact our HR Solutions services.

### **Income Support for Individuals Who Need It Most**

The following measures, not specifically targeted at workers, were also announced:

**Increase to Goods and Services Tax credit:** A one-time special payment by early May 2020 that will double the maximum annual GSTC payment amounts for the 2019-20 benefit year. The average increase will be close to \$400 for single individuals and \$600 for couples. Presumably, no application is required as it appears to be based on current eligibility.

**Increase to the annual Canada Child Benefit (CCB):** Only for the 2019-20 benefit year, by \$300 per child. Presumably, no application is required as it appears to be based on current eligibility.

To ensure that certain groups who may be vulnerable to the impacts of COVID-19 have the support they need, the Government is proposing targeted help by:

- Providing \$305 million to address immediate needs in First Nations, Inuit, and Métis Nation communities;
- A six-month interest-free moratorium on the repayment of Canada Student Loans;
- Reducing required minimum withdrawals from Registered Retirement Income Funds (RRIFs) and other defined contribution pension payments by 25% for 2020
  - Reducing the minimum payments means less securities will need to be sold when their value is reduced to due to the current market situation;
- Providing the Reaching Home initiative with \$157.5 million to continue to support people experiencing homelessness during the COVID-19 outbreak;
- Providing up to \$50 million to women's shelters and sexual assault centres to help with their capacity to manage or prevent an outbreak in their facilities.

If you have any questions about these matters, please contact us.

*This summary deals with proposed matters that are complex and may not apply to particular facts and circumstances. As well, the material and the references contained therein reflect laws and practices which are subject to change. For these reasons, this material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter.*

*Although this communication has been carefully prepared, Wilkinson & Company LLP does not accept any legal responsibility for its contents or for any consequences arising from its use. No part of this document may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means (photocopying, electronic, mechanical, recording or otherwise).*