

# Federal tax & income support measures to combat the effects of COVID-19

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## Federal Measures

On Wednesday March 25, 2020, legislation received Royal Assent to provide \$107B of economic support to combat the effects of COVID-19 pandemic. Included are several tax measures designed to support Canadian individuals and businesses during these unprecedented times. The tax relief will be in the form of both direct support payments (\$52B), as well as tax deferrals (\$55B). Here is a summary of the key tax measures and additional income support the government has introduced as of March 30, 2020.

## Tax Measures for Individuals

- The minimum amounts from Registered Retirement Income Funds (RRIFs) will be reduced by 25% for 2020, recognizing that the volatile markets will have an impact on the retirement savings for seniors. Individuals who have already withdrawn more than the reduced 2020 minimum amount will not be permitted to re-contribute to their RRIFs an amount up to the 25% proposed reduction. However, withholding tax will only apply if more than the unreduced RRIF minimum amount is withdrawn for 2020. These measures also apply to LIFs and all other locked in RRIFs. In addition, similar rules will apply to individuals receiving variable benefit payments under a defined contribution Registered Pension Plan (RPP).
- The 2020 tax filing deadline (for filing 2019 T1 personal tax returns) has been deferred by one month, to June 1, 2020.
- Trusts with a December 31, 2019 tax year end will have a filing due date deferred to May 1, 2020.
- The deadline to pay any income tax balance arising from the 2019 tax filing has been extended from April 30, 2020, to September 1, 2020. No interest or penalties will be assessed if payment is made by September 1, 2020. This measure also applies to trusts with a tax balance or installment requirement prior to September 1, 2020.
- A special one-time payment through the Goods and Services Tax credit (GSTC) to be made by early May 2020. The payment will double the maximum annual GSTC payment amounts for the 2019-20 benefit year. This will boost income for eligible taxpayers by approximately \$400 for single individuals and approximately \$600 for couples. The GSTC is a tax-free benefit.
- The maximum annual Canada Child Benefit (CCB) payment amounts will be increased for the 2019-20 benefit year by \$300 per child. The benefit is expected to be paid in May 2020. The CCB is a tax-free benefit.

## Businesses

- Businesses of any size (large and small) whose revenue has decreased by at least 30% because of the pandemic, as well as unincorporated employers, certain partnerships, non-profit organizations and charities, will be eligible for a temporary wage subsidy for 3 months, to help prevent layoffs by businesses with lower revenues. The subsidy is equal to 75% of remuneration paid up to the first \$58,700 earned. This equates to approximately \$847 per week and will be backdated to March 15, 2020.
- Similar to individuals, the CRA will allow businesses to defer, until September 1, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. No interest or penalties will accrue during this time.



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- The Business Credit Availability Program (BCAP) will work with Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide small and medium-sized businesses more than \$10B of additional support.
- The government introduced the Canada Emergency Business Account. This funding will provide interest-free loans of up to \$40,000 to businesses with payrolls of less than \$1 million. A quarter of this loan (up to \$10,000) is eligible for complete forgiveness.

## **Employment Insurance Benefits**

- Waiving the one-week waiting period for those individuals in imposed quarantine that claim Employment Insurance (EI) sickness benefits, effective March 15, 2020.
- Waiving the requirement to provide a medical certificate to access EI sickness benefits.
- The government introduced the Canada Emergency Response Benefit (CERB). The CERB is a taxable benefit replacing the previously announced Emergency Care Benefit and Emergency Support Benefit. This is a \$2,000 per month benefit, payable for up to 4 months for workers who lose their job as a result of COVID-19. Specifically, this payment is designed for Canadians who:
  1. have lost their job, are sick, quarantined or taking care of someone who is sick with COVID-19
  2. working parents who must stay at home with children who are sick or at home because of school/daycare closure
  3. wage earners, contract workers, self-employed individuals who would not otherwise qualify for Employment Insurance and;
  4. workers who are still employed but not receiving income because their work is disrupted due to COVID-19.
- The benefit is available regardless whether the individual is eligible for EI or not. However, individuals who are already receiving EI benefits as of today would continue to receive the EI benefits and should not apply for CERB.
- Introduce the EI Work Sharing Program, providing EI benefits to workers who agree to reduce their normal working hours as a result of the developments beyond the control of their employer (this was previously announced on March 11, 2020).

All measures are expected to be implemented either immediately, in early April or May.

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