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Federal and Ontario COVID-19 Relief Measures for Businesses and Individuals

As the COVID-19 pandemic continues to have a significant impact on businesses across Canada, governments continue to respond with programs designed to offer support.

We provide below a summary of Federal and Ontario government tax and other measures developed to support business during this challenging time.

Federal Measures

Employment Benefit

On April 14, 2020, the CRA stated at the [APFF](#) (Association de planification fiscale et financière) that in the context of the COVID crisis, the CRA is willing to accept a reimbursement of an amount not exceeding \$500 for the purchase of personal computer equipment to be principally for the benefit of the employer. In other words, the \$500 would not be a taxable benefit to the employee.

75% Wage Subsidy

A 75% Wage Subsidy is available to eligible employers for up to 12 weeks retroactive to March 15, 2020. The twelve weeks is broken down into three periods.

| | Period |
|-----------------|----------------------|
| Period 1 | March 15 to April 11 |
| Period 2 | April 12 to May 9 |
| Period 3 | May 10 to June 6 |

To qualify for the Wage Subsidy, a company has to have experienced a decline in revenues of at least 15% in March 2020, and at least 30% in April 2020 and May 2020. Revenue is calculated under the accrual method or on the cash method. It cannot be a combination of both.

The determination of whether a decline has happened is made by comparing revenue earned in March, April and May either to the same months in 2019 or by comparing it to an average of your revenue in January and February of 2020.

Once a business qualifies for one period, it **automatically** qualifies for the next period.

The above relief provisions came into force on April 11 which meant that a business that had laid off employees prior to April 11 would not be able to claim the subsidy for Period I. Discussions by a member of the tax community with the Department of Finance confirmed that the subsidy would be available if such employees were retroactively placed back on payroll for March 15. This strategy could only work however if the employer was able on a timely basis to re-hire the employee because an employer is not eligible to claim the Subsidy if wages paid to an employee in a week falls within a 4-week period for which the employee is eligible for [CERB](#) (Canada Emergency Response Benefit).

Under CERB, a laid off employee is eligible for a taxable benefit of \$2,000 every 4 weeks for up to 16 weeks.

Under the wage subsidy program an employee will be entitled to the least of \$847 per week, 75% of baseline remuneration and 100% current remuneration.

A business can be a sole proprietorship, taxable corporations, non-profit organizations, registered charities, and partnerships of eligible employers. Public bodies such as municipalities, local governments, colleges and universities, schools, hospitals, and Crown corporations are [not eligible for the subsidy](#).

The Federal Government expects employers to make their best efforts to return employee salaries to pre-crisis levels. What constitutes “best efforts” was not defined in the legislation.

The Wage Subsidy as titled applies only to “wages” which is in essence remuneration paid to employees and subject to payroll withholdings. A shareholder of a closely held corporation will not be entitled to relief under the Wage Subsidy program but can seek relief under the CERB program.

CRA has now an online calculator available for employers to calculate the wage subsidy. Please see the following link: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html>

Applications can be submitted on April 27, 2020 through the “my business portal”. Please see: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-how-apply.html>.

GUARANTEES AND LOANS

In order to be eligible for the loan programs listed below, a business must have been impacted directly or indirectly by recent events and must have been financially viable prior to the impact from COVID-19.

EDC Guarantee

Effective March 24, 2020, [EDC is stepping up to support all exporting companies by offering their bank a guarantee on loans of up to \\$5M so that companies can access more cash immediately](#). For more details, contact us.

The Government of Canada has also broadened the domestic powers for Export Development Canada (EDC) during the COVID-19 crisis. Through the [Business Credit Availability Program \(BCAP\), EDC will guarantee new operating credit and cash-flow term loans that financial institutions extend to small- to medium-sized enterprises, up to \\$6.25 million](#). The program cap for this guarantee will be a total of \$20 billion for export sector and domestic companies.

A small enterprise is a business that employs up to 99 employees. A medium sized business is one that employs 100 to 499 employees. A large business is one that employs 500 employees or more.

Business Development Bank of Canada Co-Lending Program

This will also be a joint co-lending program between the Business Development Bank of Canada (BDC) and financial institutions. Small and medium-sized businesses can get support through a new Co-Lending

Program that will bring the BDC together with financial institutions to co-lend term loans to these businesses for their operational cash flow requirements. Eligible businesses may obtain incremental credit amounts up to \$6.25 million, 80% of which would be provided by BDC, with the remaining 20% by a financial institution. The BDC's portion of this program will be up to \$5 million maximum per loan.

Canada Emergency Business Account

On April 6, the Federal Government announced The Canadian Emergency Business Account will now provide up to \$40,000 in interest free government-guaranteed loans to businesses that had payrolls last year between \$20,000 and \$1.5 million. It previously offered loans to business with a narrower range of payrolls, between \$50,000 and \$1 million. Repaying the loan on or before December 31, 2022 will result in a loan forgiveness of 25% (up to \$10,000).

IRAP

SR&ED (Scientific Research and Development) activities are often funded by governmental programs such as the federal Industrial Assistance Research Program (IRAP). On April 17, 2020 the Federal Government announced that it is adding \$250 million to the IRAP program.

HST

The CRA will allow all businesses to defer, until the end of June 2020, any GST/HST payments or remittances that become owing on or after March 27, 2020, and before June 2020. No interest will apply to payments or remittances are made by the end of June 2020.

The deadline for businesses to file their returns is unchanged. HST returns should continue to be filed on a timely basis. [However, recognizing the difficult circumstances faced by businesses, the CRA won't impose penalties where a return is filed late provided that it is filed by June 30th.](#)

Income Tax Returns Filing and Payment Extension

An extension has been granted to corporations who would had to file their tax returns after March 18 and before June 1, 2020. These corporations now have up to June 1, 2020 to file their corporate income tax return.

An extension has been granted to September 1, 2020 for income tax balances due under Part 1 of the Income Tax Act on or after March 18 and before September 1, 2020.

ONTARIO

Employer Health Tax

On March 25, 2020, the Ontario government announced it is increasing the Employer Health Tax (EHT) exemption for 2020 from \$490,000 to \$1 million due to the special circumstances caused by the coronavirus (COVID-19) in Ontario. If payroll is lower than \$1 million, the employer does not need to [notify the Ministry of Finance.](#)

Deferral Payments – Ontario Administered Tax

For employers with payrolls larger than \$1 million, Ontario announced on March 25, 2020 a deferral until August 31, 2020 to make such payment without interest or penalty. This deferral applies to any provincially administered tax.

The following provincial taxes are included in the relief period:

- Employer Health Tax
- Tobacco Tax
- Fuel Tax
- Gas Tax
- Beer, Wine & Spirits Tax
- Mining Tax
- Insurance Premium Tax
- International Fuel Tax Agreement
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Race Tracks Tax

Relief is automatic. If a business is unable to file their return or remittance during the relief period, they **do not need** to contact or notify the Ministry of Finance. Penalties and interest will be waived automatically for all late returns or remittances by Ontario businesses during the relief period.

The Government of Canada (the “Government”) has announced an economic stimulus package that will result in important tax consequences for taxpayers varying in size from multinational corporations to individuals. For corporations and professionals doing business in Ontario, please note that the Minister of Finance will [release an economic and fiscal update](#), instead of a full budget, on March 25, 2020.

FISCAL/MONETARY POLICY RESPONSE

On March 18, the Government announced an [\\$82bn economic stimulus package](#), the COVID-19 Economic Response Plan (ERP), equal to 3% of Canada’s GDP. The stimulus package was initially composed of:

- \$27bn in direct support to Canadian workers and businesses; and
- \$55bn allotted to meet liquidity needs of all taxpayers, in the form of tax deferrals.

Since being announced on March 18, 2020, the total value of the ERP has ballooned. Please see the chart at the end of this article for an itemized list of the current value of Canada’s COVID-19 ERP. The data in the chart is current to April 30, 2020.

Direct Support for Businesses

In the ERP, the Government announced a number of [direct support initiatives for businesses](#). These supports include:

- cutting the Bank of Canada's (Bank) policy interest rate by an [additional 50 basis points](#), to 0.25% (effective March 27th, 2020);
- the EI Work Sharing Program, which provides EI benefits to employees who agree to reduce their regular working hours;
- a [Temporary Wage Subsidy for Employers](#) of up to \$1,375 per employee and \$25,000 per employer— available to corporations eligible for the small business deduction, non-profit organizations, and charities (announced March 19, 2020);
- establishing the Canada Emergency Wage Subsidy (CEWS), which provides a subsidy of 75% of employee wages for up to 12 weeks, retroactive from March 15, 2020, to June 6, 2020
- establishing the Business Credit Availability Program (BCAP), which will give the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) access to over \$10bn in credit. Funding available through BCAP will largely target small and medium-sized businesses;
- lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets, to 1.00%, via the Office of the Superintendent of Financial Institutions. This will provide banks with approximately \$300bn of additional lending capacity; and
- launching the Insured Mortgage Purchase Program (IMPP), through which the Government will purchase up to \$150bn of insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC).

Direct Support for Individuals

In addition to the support for businesses, the ERP contains [a comprehensive package for individuals](#):

- placing a six-month interest-free moratorium on the repayment of student loans under the Canada Student Loans program;
- easing the minimum withdrawal amount from Registered Retirement Income Funds (RRIFs) by 25% for 2020;
- providing up to \$50mm to women's shelters and sexual assault shelters;
- instituting a \$305mm Indigenous Community Support Fund to address immediate needs in Metis Nation, Inuit, and First Nations communities;
- increasing the Canada Child Benefit (CCB) payment amounts by \$300 per child for the 2019-2020 benefit year;
- CMHC, as mortgage insurer, is offering lenders tools to assist in payment deferral, loan re-amortization, and capitalization of outstanding interest arrears, among others. The Government has also negotiated support through Canada's big banks to allow for up to 6-month payment deferral on mortgages;
- offering a one-time payment by May 2020 via the Goods and Services Tax Credit (GSTC) for low- and modest-income families, for a total of approximately \$5.67bn;

- waving the one-week waiting period for those in imposed quarantine and without paid sick leave that claim EI benefits (effective March 15, 2020);
- waving the requirement to provide a medical certificate to access EI benefits;
- supporting the Reaching Home initiative with a cash injection of \$158mm in order to support people experiencing homelessness; and
- introducing the [Emergency Care Benefit \(ECB\)](#) that provides up to \$900 bi-weekly, for up to 15 weeks, to be administered through the Canada Revenue Agency (CRA). The ECB will be available in April 2020 and applications are made through the CRA website.

FLEXIBILITY FOR TAXPAYERS – BUSINESSES

In addition to the direct support announced under the ERP, the CRA has released [a number of flexibility initiatives](#) directed at easing the burden on businesses:

Tax Filing and Payment Deadline Extension

| Taxpayer | Initial Filing Deadline | ERP-Modified Filing Deadline | ERP-modified Payment Deadline |
|-------------------------------------|------------------------------------|-------------------------------------|--------------------------------------|
| Businesses | 6 months after year-end | N/A | September 1, 2020* |
| Trusts (December 31, 2019 year-end) | March 31, 2020 | May 1, 2020 | September 1, 2020** |
| Charities (with a Form T3010)*** | March 18, 2020 - December 31, 2020 | December 31, 2020 | N/A |

* [The deadline for businesses to pay any income tax amounts that become owing or due after March 18, 2020 and before September 1, 2020 has been extended to September 1, 2020. This means you will not be assessed any penalties or interest if your balance due is paid by September 1, 2020.](#)

** [All trusts that have an upcoming income tax balance due date or an income tax instalment payment due date before September 1, 2020, will have their payment due date effectively extended to September 1, 2020.](#)

*** [The Charities Directorate is extending the filing deadline to December 31, 2020, for all charities with a Form T3010, Registered Charity Information Return due between March 18, 2020 and December 31, 2020.](#)

Further Considerations

- there has been no formal announcement towards extending the corporate or partnership filing deadlines;
- the CRA will [recognize electronic signatures](#) to authorization forms T183 and T183CORP;
- for the following four weeks, the CRA will not contact small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits; and

- a Liaison Officer Service has been instituted, available by phone, to offer help to small business owners in understanding their tax obligations.

FLEXIBILITY FOR TAXPAYERS – INDIVIDUALS

The CRA has also released a number of flexibility initiatives directed at easing the burden on individuals:

| Taxpayer | Initial Filing Deadline | ERP-Modified Filing Deadline | ERP-modified Payment Deadline |
|---|--------------------------------|-------------------------------------|--------------------------------------|
| Individuals | April 30, 2020 | June 1, 2020 | September 1, 2020* |
| Self-Employed Individuals (<i>and their spouse or common law partner</i>) | June 15, 2020 | N/A | September 1, 2020 |

Further Considerations

- the CRA is adapting its Outreach Program, via webinar, to support individuals in understanding their tax obligations and to obtain benefits and credits to which they are entitled; and
- in consideration of the expected discontinuation of the Community Volunteer Income Tax Program, the CRA will be taking additional efforts to encourage individuals to file their tax and benefit returns online.

OTHER PROVINCES

As of March 23, 2020, the following provinces of Canada have instituted independent measures with regard to the ERP:

Québec

Revenu Québec has adopted the following flexibility measures for individuals and businesses in Quebec that will apply during this tax season:

FLEXIBILITY FOR TAXPAYERS – INDIVIDUALS

- deadline for filing has been postponed until June 1st, 2020;
- for self-employed individuals; the deadline to pay a balance due in relation to an income tax return for the 2019 year has been extended to July 31, 2020; and
- for individuals who make installment payments, the June 15, 2020 deposit is suspended until July 31, 2020, with details to be announced at a later date.

FLEXIBILITY FOR TAXPAYERS – BUSINESSES

- payments of installments and taxes that would be due as of March 17, 2020 are suspended until July 31, 2020, with details to be announced at a later date regarding the terms of payment.

Saskatchewan

- The provincial budget for the province was proposed to be released on March 18, 2020. Instead, the government [opted to release only an expenditure statement](#), postponing the formal budget to a later, unannounced, date.

[ECONOMIC RESPONSE PLAN – COST AND IMPLEMENTATION](#)

The chart below details an itemized list of the component parts of the ERP, reproduced in its entirety from the Parliamentary Budget Officer's website.

| | \$ millions | |
|--|-------------|-----------|
| | 2019-2020 | 2020-2021 |
| "At Home On the Land" Initiative | - | 3 |
| Additional International Assistance | - | 110 |
| Additional Lending Capacity for Farm Credit Canada (FCC) | - | -96 |
| COVID Reponse Fund: Funding for Provinces and Territories | 500 | - |
| COVID Reponse Fund: Immediate Public Health Response | 25 | 25 |
| COVID Reponse Fund: Initial funding to the World Health Organization | - | 2 |
| COVID Reponse Fund: International Assistance | - | 50 |
| COVID Reponse Fund: Investing in Research | - | 275 |
| COVID Reponse Fund: Personal Protective Equipment | - | 50 |
| COVID Reponse Fund: Repatriation of Canadians | - | 7 |
| COVID Reponse Fund: Sustained Communications and Public Education | - | 50 |
| COVID Response Fund: Funding for preparedness in First Nations and Inuit Communities | - | 100 |
| COVID Response Fund: Work Sharing Program | - | 125 |
| Canada Emergency Business Account | - | 9,106 |
| Canada Emergency Response Benefit (CERB) | - | 35,471 |
| Canada Emergency Wage Subsidy (CEWS) | - | 75,975 |
| Canada Student Emergency Benefit | - | 5,250 |
| Canada Student Loan Payments | - | 159 |
| Canada Student Loans | - | 1,296 |
| Canada Student Service Grant | - | 912 |
| Canadian Agricultural Partnership | - | 1 |
| Co-Lending Program for Small and Medium Sized Enterprises | - | -389 |
| Deferral of Sales Tax Remittance and Customs Duty Payments until June | - | 92 |
| Emergency Community Support Fund | - | 350 |
| Emergency Support Fund for Cultural, Heritage and Sport Organizations | - | 500 |
| Emissions Reduction Fund for the Oil and Gas Sector | - | 94 |
| Enhanced Canada Child Benefit | - | 1,900 |
| Enhanced GST Credit | - | 5,665 |
| Extended Deadlines to File Income Tax Returns and Pay Income Taxes | - | 634 |

| | | |
|---|------------|----------------|
| Funding for Food Banks and Local Food Organizations | 25 | 75 |
| Funding for Food System Firms that hire Temporary Foreign Workers | - | 50 |
| Funding for Indigenous Businesses and Aboriginal Financial Institutions | - | 307 |
| Funding for Orphan and Inactive Oil and Gas Wells Clean-Up, Alberta Orphan Well Association | - | - |
| Funding for Orphan and Inactive Oil and Gas Wells Clean-Up, Government of Alberta | - | 1,000 |
| Funding for Orphan and Inactive Oil and Gas Wells Clean-Up, Government of British Columbia | - | 120 |
| Funding for Orphan and Inactive Oil and Gas Wells Clean-Up, Government of Saskatchewan | - | 400 |
| Funding for Personal Protective Equipment and Supplies | 200 | 1,800 |
| Funding for Seniors (United Way Canada) | 9 | - |
| Funding for Women's Shelters and Sexual Assault Centres | - | 50 |
| Funding for the Air Transportation Sector | 14 | 123 |
| Funding to Community Futures Network | - | 287 |
| Funding to Digital Citizen Initiative's Digital Citizen Contribution Program | - | 3 |
| Funding to Futupreneur Canada | - | 20 |
| Funding to Nutrition North Canada | - | 25 |
| Funding to Regional Development Agencies | - | 675 |
| Funding to the Canada Food Inspection Agency | - | 20 |
| Funding to the Industrial Research Assistance Program | - | 250 |
| Funding to the Reaching Home Initiative | - | 158 |
| Indigenous Community Support Fund | - | 305 |
| Insured Mortgage Purchase Program (IMPP) | -13 | -428 |
| Loan Guarantee Program for Small and Medium Sized Enterprises (SMEs) | - | -3 |
| Lower RRIF Minimum Withdrawal | - | 505 |
| Mental Health funding for Children and Youth (Kids Help Phone) | - | 8 |
| National Medical and Research Strategy to combat COVID-19 | - | 822 |
| Non-repayable Support for Businesses in the Territories | - | 15 |
| Temporary Business Wage Subsidy | - | 844 |
| Transfers to Territorial Governments to Support Health and Social Services | - | 73 |
| Transfers to Territorial Governments to Support Northern Air Carriers | - | 17 |
| Waiving Part I Broadcasting Licence Fees and Providing Equivalent Funding to CRTC | - | 33 |
| Youth Employment and Skills Development Programs | - | 728 |
| Total | 760 | 145,997 |

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