# Canada’s Covid-19 Economic Response Plan Regarding Taxation

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**In the September throne speech, the federal government announced that the CEWS will be extended through the summer of 2021.**

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Included in this plan are the following measures relating to taxation and the Canada Revenue Agency (“CRA”):

The Government of Canada has provided a plan, including the following measures relating to taxation:

## Filings

- **All taxpayers** may defer the payment of any income tax amounts that would become owing on or after March 18, 2020 and before September 1, 2020 (applicable to Part I of the *Income Tax Act*(Canada)) until after August 31, 2020.
- **Filings for individuals** (other than trusts)**:** due date for filing is deferred until June 1, 2020.
- **Filings for corporations**: due date for filing is extended to June 1, 2020 for those corporations that would otherwise have a filing due date after March 18, 2020 and prior to June 1, 2020. The due date for corporations that would otherwise have a filing deadline on May 31, or in June, July, or August 2020 has been extended to September 1, 2020.
- **Filings for self-employed and their spouses/common law partners**: No changes (June 15, 2020).
- **Filings for trusts:** trusts having a taxation year ending on December 31, 2019 will have a filing due date of May 1, 2020. Trusts that would otherwise have a filing due date in April or May

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of 2020 will have a filing due date of June 1, 2020.
- **Filings for partnerships and non-residents:** filing due date of May 1, 2020.
- **Filings for charities**: T3010 filing due date is extended to December 31, 2020 for charities that have a T3010 form due after March 18, 2020 and prior to December 31, 2020.

# Tax Disputes

### Audits, Objections and Appeals:

- The CRA will suspend audit interactions with the "vast majority of taxpayers".
- Any objections relating to a Canadian's entitlement to benefits and credits will continue. All other objections are being held in abeyance.
- All Tax Court of Canada sittings that were scheduled between March 16, 2020 until July 3rd, 2020 are cancelled and the Courts are closed until further notice.

# Subsidies and Credits

**Canada Emergency Wage Subsidy (CEWS):** Eligible employers shall be entitled to a 75% subsidy on wages paid (subject to certain restrictions, including a gradual decrease in the amount of the subsidy to 20%, a maximum benefit of $847 per week for each employee for the first four qualifying periods and $1,129 for the remaining qualifying periods), effective March 15, 2020 through June 6, 2020. It was announced July 17, 2020, that the program is proposed to be extended until December 19, 2020. There is no overall limit on the subsidy that an eligible employer can claim. An eligible employer for the purposes of this subsidy includes individuals, taxable corporations, non-profit organizations and registered charities, as well as partnerships of which at least 50% of the fair

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market value of the partnership interest is held by eligible employers. An eligible employer may calculate their revenue in many ways, for example, as a singular eligible employer or as a group of affiliate eligible employers or on an accrual basis instead of a cash basis.

**To be eligible for the first four claiming periods** (up to July 4, 2020), an eligible employer must have suffered a decrease in revenue from the same month in the previous year of at least 15% for their revenue in March and 30% for the remaining eligible periods up to July 4, 2020.

**To be eligible for the remaining claiming periods** (up to November 21, 2020 and potentially December 19, 2020), a revenue decline of 30% will not be required. Instead all eligible employers with a revenue decline may be eligible for a base subsidy proportional to their revenue decline, up to a maximum amount at a 50% revenue decline. The maximum base subsidy rate gradually decreases from 75% to 60%, then eventually to 20% in the 9$^{th}$ claiming period. For claiming periods 5 and 6 (July 5, 2020 to August 29, 2020), the subsidy rate will be at least the amount the eligible employer would have received under the initial 75% subsidy for claiming periods 1 through 4. Eligible employers who experience a revenue drop of more than 50% may be entitled to an additional top-up subsidy of 25%. There are additional separate rules for these claiming periods for furloughed employees and certain other changes from the initial 4 claiming periods.

**The claiming periods for subsidy eligibility are as follows:**

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(1) March 15, 2020 to April 11, 2020;

(2) April 12, 2020 to May 9, 2020;

(3) May 10, 2020 to June 6, 2020;

(4) June 7, 2020 to July 4, 2020;

(5) July 5, 2020 to August 1, 2020;

(6) August 2, 2020 to August 29, 2020;

(7) August 30, 2020 to September 26, 2020;

(8) September 27, 2020 to October 24, 2020;

(9) October 25, 2020 to November 21, 2020; and

(10) November 22, 2020 to December 19, 2020.

In the September throne speech, the federal government announced that the CEWS will be extended through the summer of 2021.

- **10% Wage Subsidy:** Eligible employers for the purposes of this subsidy includes individuals (other than trusts), certain partnerships, non-profit organizations, registered charities or small business corporations) that have an existing business number and payroll program account with the CRA on March 18, 2020 and pay salary, wages, or taxable benefits to employees between March 18, 2020 and June 19, 2020. Eligible employers are entitled to a subsidy equal to 10% of wages paid from March 18, 2020 to June 19, 2020, up to $1,375 for each eligible employee and up to a maximum of $25,000 per employer. Partnerships may be considered an eligible employer if their members consist exclusively of eligible employers. Any amount claimed under this 10% wage subsidy would reduce the claimable amount under the 75% wage subsidy.
- **Deferral of GST/HST remittances:** Businesses may defer until the

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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 if payments or remittances are made by the end of June, 2020.

- **Canada Emergency Business Account (CEBA)**: The government has made arrangements with various financial institutions to provide a loan of up to $40,000 to qualifying businesses with as much as $10,000 being forgivable if the $30,000 is fully repaid on or before December 31, 2022. In the September throne speech, the federal government announced that they are going to be expanding the program to further assist businesses with fixed costs.
- **Canada Emergency Response Benefits ("CERB"):** The CERB is a taxable benefit of $2,000.00 per month, to be paid out by the Federal government to individuals that apply, who: are at least 15 years of age, reside in Canada, have stopped working because of COVID-19, had employment or self-employment income of at least $5,000 in 2019 or in the 12 months prior to the date of the application, and who are (or expect to be) without employment or self-employment income for at least 14 consecutive days in the initial four-week period. The CERB is also available for workers that, after March 15, 2020, are eligible for EI or regular or sickness benefits. Application processes can be found at Canada.ca/coronavirus, an is open as of April 6, 2020. The CERB is available from March 15, 2020 to October 3, 2020. The deadline to apply is December 2, 2020. Eligible workers that have exhausted their regular employment insurance benefits and are unable to work as a result of COVID-19 are eligible. For those applying for the first time, the individual must not expect to earn over $1,000 in (self-) employment income for at least 14 days in a row during the four-week period. For those applying for a subsequent period, the individual must not expect to earn $1,000 during the entire four-week period. It was announced on June 16, 2020 that the CERB program will be extended until August 29th.
- **Canada Child Benefit ("CCB"):** The

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Government is proposing to increase the maximum annual CCB payments by $300 per child for the 2019-2020 year. The maximum amount of the CCB will be increased for the 2020-21 benefit year to $6,765 per child under age 6, and $5,708 per child aged 6 through 17.
- **GST:** Double of GST credit payment amounts by May 2020.
- **RRIFs:** Reducing required minimum withdrawals from RRIFs by 25% for 2020.
- **Business Credit Availability Program** allows BDC and EDC to provide additional support.

Bill C-13, the *COVID-19 Emergency Response Act,* has received Royal Assent. The above measures are being modified on an ongoing basis.

### Manitoba Finance extended their filing deadlines as follows:

- **Income tax filing and payment:** Deadlines for payment and filing of provincial income tax will be deferred to August 31, 2020.
- **Deferral of fees and charges:** penalties and interest on late payments to Manitoba Hydro, Centra Gas, and Manitoba Public Insurance; interest on receivables owing from restaurants, bars and stores to Manitoba Liquor and Lotteries; interest on unpaid provincial education taxes, school division fees and other municipal taxes will all be deferred – more details to come.
- **Retail sales tax** ("RST") returns for small and medium businesses with monthly remittances of up to $10,000 per month that would normally be due on April 20, 2020 and on May 20, 2020 are due on June 22, 2020.
- Businesses that file for **RST** on a quarterly basis are due on April 20, 2020 are now do on June 22, 2020.
- Businesses that qualify for the above extensions that could not file their February, 2020 RST return by March 20, 2020 will not be assessed late filing penalties or interest until after June 22, 2020 (but interest will continue to apply on all outstanding debts established prior to the

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March, 2020 deadline.

- **Health and Post Secondary Education Tax Levy** ("HE Levy") returns for small and medium businesses with monthly HE Levy remittances of no more than $10,000 per month that would normally be due on April 15, 2020 and May 15, 2020 will now be due on June 15, 2020.
- Businesses that qualify for the above filing extension that were not able to file and remit their February, 2020 HE Levy tax return by the March 16th due date will not be assessed a late filing penalty and interest will not be applied until after June 15, 2020.
- **Workers Compensation Board (WCB) to refund surplus**: The Manitoba WCB has authorized the return of surplus funds to employers. Employers will receive a credit based on 20% of their 2019 premium.

Please contact the **TDS Tax department** for more information or to see if you or your business qualifies for any of the relief. For additional information, please contact **Leo Palay** via email at lekp@tdslaw.com or call him at (204) 935-2576.

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