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Global Tax Alert

News from EY Americas Tax

Canada announces Economic Response Plan

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Executive summary

On 18 March 2020, the Canadian Government announced its CA\$82 billion¹ Economic Response Plan: Support for Canadians and Businesses. The plan outlines a new set of economic measures, including \$55 billion in tax flexibility measures and \$27 billion in direct support to Canadian workers and businesses affected by the current situation. The measures include:

- ▶ A series of measures to support businesses and individuals
- ▶ Temporary income support for workers and parents through the Employment Insurance (EI) system and an Emergency Care Benefit
- ▶ Longer-term income support for workers through an Emergency Support Benefit and an EI Work-Sharing Program
- ▶ Flexibility with respect to mortgage payments and other credit products
- ▶ Income support for low- and middle-income Canadians, including, for example, enhancements to the Goods and Services Tax (GST) credit and Canada Child Benefit payments, a six-month interest-free moratorium on the repayment of Canada Student Loans, and a reduction in required minimum withdrawals from registered retirement income funds (RRIFs)

- ▶ A series of tax administrative measures providing flexibility for taxpayers (also highlighted in EY Global Tax Alert, [Canada announces certain tax measures to support Canadians and businesses](#), dated 19 March 2020).

A summary of the key measures to support workers and businesses, as well as tax measures outlined in the Economic Response Plan, is outlined below.

Detailed discussion

Helping businesses keep their workers

Temporary wage subsidy

A new temporary wage subsidy has been created to help prevent layoffs. This subsidy is available immediately to companies eligible for the small business deduction as well as charities and non-profit organizations for a period of three months. The subsidy equates to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. This will benefit companies by reducing their remittances of income tax withheld on their employees' remuneration.

Canada Work-Sharing Program

The Work-Sharing Program has been in place to help employers and employees avoid layoffs when there is a temporary reduction in business activity that is beyond the employer's control. The measure provides income support to employees eligible for EI benefits who are required to reduce their work week.

Temporary changes to the Work-Sharing Program were put in place and are generally effective from 15 March 2020 to 14 March 2021. These measures apply to employers affected by the current situation (as well as those employers affected by the downturn in the forestry, steel and aluminum sectors) and include the extension of the duration of work-sharing agreements. Previously, these agreements could span 38 weeks, but that limit has now been extended to 76 weeks. The waiting period between agreements has also been waived.

Help for affected workers

EI sickness benefits

Changes to the EI sickness benefits were made earlier in March. Notably, the one-week waiting period has been waived for Canadians who have been sickened as a result of the current circumstances or placed in quarantine, and no medical certificate will be required.

Temporary income support for workers

The Government announced a new Emergency Care Benefit to assist workers who, due to the current situation, are unable to work as a result of illness or closures. The program will become available in April and will provide up to \$900 biweekly for up to 15 weeks. This program is available to the following individuals:

- ▶ Workers, including the self-employed, who are quarantined or sick but do not qualify for EI sickness benefits
- ▶ Workers, including the self-employed, who are taking care of a family member who is sick, 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

Longer-term assistance named the Emergency Support Benefit was also introduced, aimed at supporting workers who are not eligible for EI and who are facing unemployment. This program will also become available in April and will be administered through the Canada Revenue Agency (CRA).

No new information was released relating to other non-quarantined individuals who have been laid off as a result of the sudden closure of the business due to current circumstances who qualify for EI and do not require care for children. Therefore, it is assumed that the EI application process for those individuals remains unchanged.

Improved access to credit

Measures have been implemented to provide businesses with increased access to credit.

The Business Credit Availability Program is now available to allow the Business Development Bank of Canada and Export Development Canada (EDC) to provide more than \$10 billion of additional support aimed at small and medium-sized businesses. Farm Credit Canada is also increasing the near-term credit available to farmers and other businesses in the agri-food sector.

Canada's large banks will also have access to an additional \$300 billion in funds as a result of the lowering of the Domestic Stability Buffer by 1.25% of risk-weighted assets, effective immediately. This action, in addition to last week's dropping of the Bank of Canada's emergency interest rate cut to 0.75% may help to increase companies' ability to access credit during the financial hardship resulting from the current situation.

In addition, changes have been made to the Canada Account that is administered by EDC, which supports exporters. The changes will now allow the Minister of Finance to determine the limit of the Canada Account in order to deal with exceptional circumstances, thereby providing additional support to Canadian companies through loans, guarantees or insurance policies.

Other support from lending institutions

Canada's banks have committed to working with customers to provide flexible solutions, on a case-by-case basis, for those affected by recent developments. This support will include up to a six-month payment deferral for mortgages and the opportunity for relief on other credit products. The Canadian Mortgage and Housing Corporation (CMHC) is also providing increased flexibility for homeowners facing financial difficulties. These flexibility measures include the ability to defer mortgage payments on homeowner CMHC-insured mortgage loans.

Tax measures

Extended tax filing and payment deadlines

- ▶ **Extended tax return filing deadline for individuals** - For individuals (other than trusts), the 2019 personal tax return filing due date will be deferred until 1 June 2020. (However, individuals who receive the GST credit or the Canada Child Benefit should not delay in filing their return to ensure their entitlements are properly determined for the 2020-21 benefit year.)
- ▶ **Extended tax return filing deadline for trusts** - For trusts with a 31 December 2019 taxation year-end, the tax return filing due date is deferred until 1 May 2020.
- ▶ **Deferred payment of income tax** - For all taxpayers (individuals, trusts and corporations), the payment of any income tax amounts that become owing on or after 18 March 2020 and before September 2020 may be deferred until after 31 August 2020. This measure applies to income tax balances and installments owing under Part I of the *Income Tax Act* (i.e., therefore, this deferral does not apply to remittances and tax payments owing under various other parts of the *Income Tax Act*, such as Part XIII withholding tax). The deferred payments will not be subject to interest or penalties during this period.

We will publish additional Tax Alerts on provincial measures as information becomes available.

Other tax measures to support individuals

- ▶ **GST credit: One-time special payment** - In early May 2020, a one-time special payment will be made through the GST credit to assist low- and modest-income individuals and families. The special payment will double the maximum annual GST credit amounts paid for the 2019-20 benefit year. Legislative changes will be passed on an emergency basis to implement this measure.
- ▶ **Enhanced Canada Child Benefit payments** - On a one-time basis, for the 2019-20 benefit year only, the maximum annual Canada Child Benefit payment amounts will be increased by \$300 per child. The increase will be included as part of the May 2020 payment. Legislative changes will be passed on an emergency basis to implement this measure.
- ▶ **RRIF withdrawals** - The required minimum withdrawals from RRIFs will be reduced by 25% for 2020. This measure will reduce the amount of RRIF assets that an individual may need to liquidate to meet the minimum withdrawal requirements. Similar measures will be introduced for individuals receiving variable benefit payments under a defined contribution registered pension plan. These measures will apply immediately, with supporting legislation to follow at a later date.

Other administrative tax measures

- ▶ **Electronic signatures** - Effective immediately, the CRA will recognize electronic signatures as having met the signature requirements of the *Income Tax Act*, on a temporary administrative basis only. This measure will apply to authorization forms T183, *Information Return for Electronic Filing of an Individual's Income Tax and Benefit Return*, and T183CORP, *Information Return for Corporations Filing Electronically* - see EY Global Tax Alert, [Canada announces certain tax measures to support Canadians and businesses](#), dated 19 March 2020. Quebec announced a similar measure.
- ▶ **Hold on initiation of audits for small and medium-sized businesses** - The CRA will not contact any small or medium-sized businesses over the next four weeks to initiate any post-assessment GST/Harmonized Sales Tax (HST) or income tax audits.
- ▶ **Suspension of audit interaction** - For most businesses, the CRA will also temporarily suspend audit interaction with taxpayers and their representatives.

Endnote

1. Currency references in this Alert are to the CA\$.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (Canada), Toronto

- ▶ David Steinberg david.a.steinberg@ca.ey.com
- ▶ Elizabeth Pringle elizabeth.pringle@ca.ey.com

Ernst & Young LLP (Canada), Montréal

- ▶ Stéphane Leblanc stephane.leblanc@ca.ey.com
- ▶ Krista Robinson krista.robinson@ca.ey.com

Ernst & Young LLP (Canada), Vancouver

- ▶ Kevin Eck kevin.eck@ca.ey.com

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