

24 March 2020

Global Tax Alert

News from EY Americas Tax

Canada: Quebec announces economic response measures

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Executive summary

From 16 to 19 March 2020, each day Quebec has unveiled various economic response measures, totalling CA\$11 billion¹ so far, to provide assistance to individuals and businesses affected by the current situation. The response includes \$8.3 billion in tax flexibility measures and \$2.5 billion in financing support to Quebec businesses. These measures include:

- ▶ Concerted temporary action program for businesses
- ▶ Flexibility measures respecting existing loans and loan guarantees
- ▶ Temporary aid for workers
- ▶ Income support for retirees through a reduction in required minimum withdrawals from registered retirement income funds (RRIFs)
- ▶ Tax administrative measures providing flexibility for taxpayers

Quebec's response has taken into consideration, and for certain elements has been harmonized with, the Federal Government's 18 March 2020 Economic Response Plan - see EY Global Tax Alert, [Canada announces Economic Response Plan](#), dated 23 March 2020 for more details on the federal Economic Response Plan.

Detailed discussion

Background

On 11 March 2020, the Quebec Premier announced the creation of an eight-minister economic vigilance team to prepare the Government to face the economic challenges that may arise from the current situation and determine the best actions to take to support the Quebec economy.

On 16 March 2020, the first economic action, the Temporary Aid for Workers Program, was jointly announced by the Premier and the Minister of Labour, Employment, and Social Solidarity (*Travail, Emploi et Solidarité sociale*). With an estimated cost of \$150 million, this program, which has been designed to promote isolation, provides assistance for workers in isolation who are not eligible for any income replacement program.

The initial tax administrative flexibility measures were then announced on 17 March 2020. These measures were included in Finance Information Bulletin 2020-3, *Postponement of the Personal Income Tax Return Filing-Due Date for the 2019 Tax Return and Other Postponement Measures*, and an accompanying news release, *Flexibility Measures for Individuals and Businesses*. Following the release of the Federal Government's own tax administrative flexibility measures on 18 March 2020, and to better harmonize the two sets of measures, the information bulletin was updated the same day by Information Bulletin 2020-4, which was released with an accompanying news release, *Individuals and businesses can pay their taxes on September 1st, 2020*. Both the information bulletins and the news release outline tax-related flexibility measures that the Government of Quebec is taking to enable businesses and individuals to benefit from their liquid assets in the coming weeks.

Additional measures were also announced by Revenu Québec on 18 March 2020, *Revenu Québec Adapts its Approach to Support Individuals and Businesses*, in relation to tax audits and collections.

Finally, on 19 March 2020, in a joint press conference, the Quebec Premier, the Finance Minister, and the Minister of the Economy and Innovation (*Économie et Innovation*) announced \$2.5 billion in financing assistance to help businesses overcome liquidity problems. As summarized in an accompanying news release, the Minister of Finance also took the opportunity to announce the harmonization with the 18 March 2020 federal assistance measure for retirees

in relation with RRIFs (a measure with an estimated cost of \$100 million) and to reconfirm the harmonization of tax administrative flexibility measures.

The eight-minister economic vigilance team, presided over by the Finance Minister, continues to monitor the situation, and additional actions may be announced at a later date when warranted.

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

Financing support measures for businesses

Concerted temporary action program for businesses/ Programme d'action concertée temporaire pour les entreprises (PACTE)

To shore up the working capital of businesses whose liquidity is affected by the current situation, Investissement Québec will provide loan guarantees through a new emergency concerted temporary action program for businesses (PACTE). Financing will also be available in the form of loans from Investissement Québec under the PACTE. The Minister of the Economy and Innovation indicated that this financing will be offered under advantageous conditions.

The minimum funding amount under the PACTE will be \$50,000, and refinancing will be prohibited.

Aside from businesses operating in certain excluded industries (see below), the PACTE will be available to all businesses operating in Quebec, including cooperatives and other social economy enterprises with commercial activities. Eligible businesses will have to demonstrate that their financial structure offers realistic prospects for profitability, that their cash flow issues are temporary, and that the liquidity shortage stems from:

- ▶ A problem involving the supply of raw materials or products (goods or services); or
- ▶ An inability, or a substantially decreased ability, to deliver goods, products or services.

Applications will be reviewed on a case-by-case basis, according to the business's circumstances and Investissement Québec's management practices.

Businesses operating in the following industries will not be eligible under the PACTE:

- ▶ Weapons manufacturing or distribution
- ▶ Games of chance and gambling, combat sports, racing and other similar activities

- ▶ Production and sale of tobacco and drugs (along with services related to their use), except for projects involving pharmaceutical-grade products approved by Health Canada and having a Drug Identification Number, or their ingredients, as well as research and development projects licensed by Health Canada
- ▶ Any activity whose main purpose is protected by the Canadian Charter of Rights and Freedoms
- ▶ Any other activity that may offend public morals

To offer this program, Investissement Québec is aiming to work in close cooperation with financial institutions and federal authorities in order to share risks.

Flexibility measures respecting existing loans and loan guarantees

The Minister of the Economy and Innovation will suspend, for a period of three months, the reimbursement (principal and interest) of loans already granted through the Local Investment Fund/Fonds local d'investissement. The interest that will be accumulated over that period will be added to the loans' balance.

It was also announced that Investissement Québec will loosen the terms for existing borrowers.

Tax flexibility measures

The following is a summary of measures pertaining to the postponement of tax filing and payment requirements aimed at providing individuals and businesses with more liquid assets flexibility. Any deferred payment will not be subject to interest.

Corporate income tax measures

- ▶ **Tax balance-due day** - Postponement of any tax balance-due day falling between 17 March 2020 and 31 August 2020 to 1 September 2020. The filing-due date for the return remains unchanged.
- ▶ **Installment payments** - Suspension of monthly and quarterly tax installment payments due between 17 March 2020 and 31 August 2020 until 1 September 2020.

Personal income tax measures

- ▶ **2019 tax return filing-due date** - Postponement of the filing-due date for 2019 income tax returns from 30 April 2020 to 1 June 2020. However, individuals that are expecting a 2019 income tax refund are urged to file their returns promptly.
- ▶ **2019 tax balance-due day** - Postponement of the 30 April 2020 tax balance-due day to 1 September 2020.

▶ **Québec Pension Plan (QPP), Québec Parental Insurance Plan (QPIP), Health Services Fund (HSF) and Quebec prescription drug insurance plan contributions** -

Postponement of the 30 April 2020 deadline for the payment of the following contributions to 1 September 2020:

- QPP and QPIP contributions for self-employed earnings (or earnings from activities as a family-type resource or an intermediate resource)
- HSF and Quebec prescription drug insurance plan contributions

- ▶ **15 June 2020 instalment payments** - Suspension of any tax installment payment due on 15 June 2020 until 1 September 2020. The due date for the two remaining 2020 installment payments (15 September 2020 and 15 December 2020) and the rules for determining them remain unchanged.

Income tax measures for trusts (other than specified investment flow-through (SIFT) trusts)

- ▶ **2019 tax return filing-due date** - Postponement of the 30 March 2020 tax return filing-due date to 1 May 2020.
- ▶ **2019 tax balance-due day** - Postponement of the payment of the tax balance for the 2019 taxation year that would be due as of 17 March 2020 to 1 September 2020.
- ▶ **15 June 2020 installment payments** - Suspension of any tax installment payment due on 15 June 2020 until 1 September 2020. As for individuals, the due date for the two remaining 2020 installment payments (15 September 2020 and 15 December 2020) and the rules for determining them remain unchanged.

Income tax measures for SIFT trusts or SIFT partnerships

- ▶ **Tax balance-due day** - Postponement of any tax balance-due day falling between 17 March 2020 and 31 August 2020 to 1 September 2020.
- ▶ **Installment payments** - Suspension of monthly tax installment payments due between 17 March 2020 and 31 August 2020 until 1 September 2020.

Additional administrative measures and information

- ▶ **Hold on tax audits and collections** - All tax audits and collection activities are being suspended; Revenu Québec also indicated that it will show greater flexibility in respect of payment agreements for tax debts.
- ▶ **Partnership information return** - Partnerships that had until 31 March 2020 to file their 2019 partnership information return (TP-600-V) have until 1 May 2020 to do so.

- ▶ **Social program payments** - Individuals that are entitled to receive social program amounts such as the solidarity tax credit and the family allowance will receive their 1 July 2020 payments from Revenu Québec even though the 2019 personal income tax return filing deadline is postponed.
- ▶ **Tax return preparers** - Tax return preparers are now allowed to use an electronic signature on certain forms that must be signed by their clients.

Tax measures to support retirees

RRIF withdrawals

In line with the federal measure, 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.

Temporary Aid for Workers Program/Programme d'aide temporaire aux travailleurs (PATT)

Quebec also announced assistance through a new Temporary Aid for Workers Program. This program offers financial assistance for workers who are in isolation, cannot earn their work income and are not eligible for other financial assistance. Workers can apply to PATT beginning 19 March 2020 by submitting the relevant application form.

Eligibility

To be eligible, the worker must be at least 18 years old, reside in Quebec, and be in isolation for one of the following reasons:

- ▶ They have contracted the virus or present symptoms
- ▶ They have been in contact with an infected person
- ▶ They have returned home from abroad

The self-isolation order must have been given by the Federal Government, the Quebec Government, or another responsible authority.

In addition to the above criteria, the worker must also meet the following conditions:

- ▶ They are not receiving compensation from their employer
- ▶ They do not have private insurance
- ▶ They are not covered by another government program, such as the federal Employment Insurance program

Assistance

The amount granted to an eligible worker under PATT is a non-taxable \$573 per week for a period of 14 days of isolation. In some health-related cases, the coverage period for an eligible worker could be extended to a maximum of 28 days.

A worker is no longer entitled to the PATT financial assistance when the financial assistance has been paid in full or where they have not respected their [obligations](#).

Endnote

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

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EYG no. 001352-20GbI

1508-1600216 NY
ED None

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