

24 March 2020

# Global Tax Alert

News from EY Americas Tax

## Canada Revenue Agency announces new Economic Response Plan measures

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### Executive summary

The Canada Revenue Agency (CRA) has announced new measures and additional details relating to the Government's Economic Response Plan, which was released on 18 March 2020 (see EY Global Tax Alert, [Canada announces Economic Response Plan](#), dated 23 March 2020 for more information). In addition, some clarification has been obtained from government officials and announcements have also been made by the Canada Border Services Agency (CBSA) and the Courts.

This Alert summarizes the latest information and guidance.

### Detailed discussion

#### New tax flexibility measures

- ▶ **Charities: Extended information return filing deadline** - For all charities with a Form T3010, *Registered Charity Information Return*, due between 18 March 2020 and 31 December 2020, the filing deadline is extended to 31 December 2020.
- ▶ **Suspension of Charities Directorate operations** - The Charities Directorate has suspended all operations until further notice. This includes call center as well as all registration and audit activities.

- ▶ **Collections activities** - The CRA has announced that collections activities on new debts will be suspended until further notice, and flexible payment arrangements will be available.

## Announcements relating to objections and appeals

- ▶ **Objections and appeals** - Any objections related to Canadian taxpayers' entitlement to benefits and credits have been identified by the CRA as a critical service that will continue to be delivered during this time. With respect to objections related to other tax matters filed by individuals and businesses, the CRA is currently holding these accounts in abeyance.
- ▶ **Appeals before the Tax Court of Canada** - On 16 March 2020, the Tax Court of Canada ordered the extension of all timelines prescribed by the rules of that Court while it is closed for business until 30 March 2020. Similarly, a timeline extension is provided by the Federal Court while its activities are suspended from 16 March 2020 to 17 April 2020; although certain filing deadlines continue to apply at the Federal Court of Appeal (unless a request for an extension of time is made), all hearings scheduled to be heard between 16 March 2020 and 17 April 2020 are generally adjourned. No timeline extension has been announced by the Supreme Court of Canada other than the reschedule of the hearings of three cases that were to be heard on 23, 24 and 25 March 2020.

## Clarification on previous announced measures

- ▶ **Deferred payment of income tax** - As indicated in the 18 March 2020 announcement by the Department of Finance, the payment of any income tax amounts that become owing on or after 18 March 2020 and before September 2020 may be deferred for all taxpayers, until after 31 August 2020. The CRA has now confirmed **that the payment deadline is 1 September 2020**. The deferred payments will not be subject to interest or penalties during this period. This measure applies to corporations, individuals and trusts, and applies only to amounts that become payable under Part I of the *Income Tax Act*. This measure does **not** currently apply to taxes owing under other Parts of the *Income Tax Act*, such as Part IV tax, Part VI.1 tax and Part XIII withholding tax. CRA officials have also indicated that this deferral will not apply to the Goods and Services Tax/Harmonized Sales Tax or other deductions at source. Therefore, unless notified

otherwise by the Government, these other taxes and source deductions should be paid (remitted) by the normal due date.

- ▶ **Extended personal income tax return filing deadline** - As indicated in the 18 March 2020 announcement by the Department of Finance, the 2019 personal income tax return (T1) filing due date is deferred until 1 June 2020 for individuals (other than trusts). CRA officials have confirmed that this extension also applies to Form T1135, *Foreign Income Verification Statement*, and to any other forms tied to the T1 filing deadline.
- ▶ **Temporary wage subsidy** - As indicated in the 18 March 2020 announcement by the Department of Finance, a new temporary wage subsidy is being introduced for eligible employers for a period of three months, beginning immediately. The subsidy equates to 10% of remuneration paid during that period, up to a maximum subsidy of CA\$1,375<sup>1</sup> per employee and \$25,000 per employer. Eligible employers include certain Canadian-controlled private corporations (CCPCs), as well as non-profit organizations and registered charities. The original announcement by the Department of Finance indicated that CCPCs eligible for the small-business deduction will qualify for the subsidy. According to the CRA's website, a CCPC is only eligible for the subsidy if its taxable capital employed in Canada for the preceding taxation year, calculated on an associated group basis, is less than \$15 million. It is therefore unclear whether the subsidy applies to a CCPC that is not eligible for the small-business deduction solely because of the passive investment income grind. The CRA website confirms that eligible employers that pay remuneration to an employee on or after 18 March 2020 and before 20 June 2020 are permitted to reduce remittances of federal, provincial or territorial income tax by the amount of the subsidy; if the subsidy is not applied in reduction of the payroll remittances during the year, eligible employers can request that the subsidy be paid to them at the end of the year or transferred to the next year's remittance. The CRA website also states that this measure is only applicable to remittances made to the CRA and that associated CCPCs will not be required to share the maximum subsidy of \$25,000 per employer.

## CBSA and CITT announcements

On 21 March 2020, the CBSA announced the following relieving measure to assist with evacuation of Canadians from the United States:

► **Imports of US-plated vehicles** - Temporary import of US vehicles driven by Canadians will be permitted to occur without the payment of customs duties and taxes, provided the vehicles remain in Canada no longer than 60 days from the date of importation and are only used for personal transportation to get their passengers from the border to a specific destination in Canada and return.

Although all filing deadlines continue to apply at the Canadian International Trade Tribunal (CITT) (unless a request for an extension of time is made), all scheduled in-person appeal hearings up to 14 April 2020 are cancelled.

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## Endnote

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

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