



TAX MEASURES IN RESPONSE TO COVID-19 CANADA

CANADA – ADDITIONAL TAX MEASURES IN RESPONSE TO COVID-19

As at **April 3, 2020**, the Federal and provincial governments have announced the following tax measures in response to COVID-19, which are in addition to those already communicated in our previous [bulletins](#).

INCOME TAX FILINGS

- The filing deadline for trusts, **otherwise due in April or May**, has been extended to June 1, 2020.
- The filing deadline for corporate income tax returns, otherwise due on or after March 18, 2020, has been extended to June 1, 2020.
- Revenue Quebec will accelerate the processing of tax returns for refunds and tax credits.
As well, to harmonize with the federal government:
 - The filing deadline for Registered Charity Information Returns, otherwise due after March 17, 2020, has been extended to December 31, 2020.
 - The filing deadline for elections, responses to information requests and other administrative acts, otherwise due on or after March 17, 2020, has been extended to June 1, 2020.

SALES TAX

- The payments of GST, QST and HST remittances and installments due between March 27, 2020 and June 1, 2020 inclusively, can be deferred until June 30, 2020 without interest or penalties.
- There is no deferral for the filing of any of the related returns. However, no penalties will be imposed if they are filed no later than June 30, 2020.

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EMPLOYER-EMPLOYEE MATTERS

CANADA EMERGENCY RESPONSE BENEFIT (“CERB”)

- The federal government announced that, retroactive to March 15, 2020, eligible workers (employees or self-employed) who have stopped working as a result of COVID-19 or who would otherwise have been eligible for Employment Insurance, will be entitled to claim \$500 per week (payable on a monthly basis), for up to 16 weeks.
- The CERB will be taxable, although no deductions at source will be withheld upon payment.
- Those who have already applied for Employment Insurance (on or after March 15, 2020) will be transferred to the CERB automatically. All other eligible individuals can begin applying for the CERB as of April 6th, on a given weekday, depending on their birth month.

CANADA EMERGENCY WAGE SUBSIDY (“CEWS”)

- The federal government announced that, retroactive to March 15, 2020, individuals, small and large businesses (whether in corporate or partnership form), non-profits and charities can receive an amount of up to 75% of wages paid to their employees between March 15, 2020 and June 6, 2020.
- The maximum amount of the subsidy will equal \$847 per week, per employee, for a period of 3 months. There is no limit on the total aggregate subsidy amount an employer may claim.
 - Employers can receive the CEWS for both full-time and part-time employees, as well as employees that had been laid-off due to COVID-19 and employees that are working from home.
- To be eligible, employers must demonstrate that their revenues from their business carried on in Canada earned from arm's length sources during the months of March, April and May 2020 have decreased by at least 30% compared to the same period in 2019.
 - For charities and NPO's, standards are being developed to determine how the 30% threshold can be met.
 - For businesses established after February 2019 and for start-ups, eligibility would be determined by comparing monthly revenues to a reasonable benchmark. Additional details will be provided as they become known.
- Employers can apply for the subsidy via the Canada Revenue Agency (“CRA”) *My Business Account portal*, which will be operational in the next 3 to 6 weeks. The CRA will start disbursing amounts to employers in approximately 6 weeks. Given the time lag, employers may have to temporarily finance payroll.
- Once the CRA's portal is open, employers will be able to apply for the subsidy in respect of wages paid during the following claiming period:
 - March 15th to April 11th – eligibility based on March 2020 compared to March 2019 revenues
 - April 12th to May 9th – eligibility based on April 2020 compared to April 2019 revenues
 - May 10th to June 6th – eligibility based on May 2020 compared to May 2019 revenues.
- Employers must make their best effort to top-up employees' wages to their pre-crisis earnings once they apply for the subsidy. Additional details regarding this concept will be provided as they become known.
- Any amount received by an employer under this program will be taxable to it and will also reduce remuneration expenses for the purpose of certain tax credits (e.g., SR&ED).

CANADA EMERGENCY WAGE SUBSIDY (“CEWS”) – CONT’D

- An employer cannot claim the CEWS if its employees are eligible for the CERB within the same four-week period. On this basis, employers will have the following options:
 - Rehire and pay employees retroactive to March 15, 2020 – assuming the CERB was not claimed.
 - Rehire on a go-forward basis under CEWS.
 - Layoff and/or not rehire employees who will instead claim the CERB on their own.

TEMPORARY WAGE SUBSIDY (“TWS”)

- The federal government announced that small businesses, non-profits and charities can reduce the amount of their income tax deductions at source remittances to the CRA by 10% of wages paid from March 18, 2020 to June 19, 2020, up to \$1,375 per eligible employee and up to a maximum of \$25,000 total per employer. This benefit can be accessed immediately and there is no application process.
- An employer who does not reduce their payroll remittances can still calculate the TWS on wages paid from March 18, 2020 to June 19, 2020 and transfer same to the following year’s remittance.
- The TWS is taxable as income in the year in which the subsidy is received.
- The TWS does not reduce the remittance of CPP contributions or EI premiums.
- For employers that are eligible for both the CEWS (75% subsidy) and the TWS (10% subsidy), any benefit from the TWS would reduce the amount available to be claimed under the CEWS in that same period.

PAYROLL

- Subject to the application of the TWS mentioned above, businesses must continue to remit income tax payroll deductions, including any employer contributions.
- No corresponding relief has been announced by the Quebec or Ontario governments.

TAX DISPUTES AND DEBTS OWING

- Quebec has introduced measures similar to those announced by the federal government in respect of relief granted for tax disputes and debts owing, which are as follows:
 - Suspension of audit activities except in cases of suspected fraud.
 - No contact of taxpayers, unless it is necessary to issue a refund.
 - Extension of the deadline for filing a Notice of Objection, otherwise due after March 13, 2020, to June 30, 2020.
 - Suspension of collection activities and receptive to extensions on previously made agreements regarding same.