

TAXTALK

COVID-19 Guide - Tax Relief Measures

This guide reflects legislation and commentary from the various levels of Government as at September 21, 2020

Summary of COVID-19 Relief Measures Contained in this Guide

- Tax Filing Deadlines and Payment of Taxes for Businesses and Individuals

Changes Affecting Businesses

- Canada Emergency Wage Subsidy (CEWS)
- 10 percent Temporary Wage Subsidy (TWS)
- \$40,000 Loan - Canada Emergency Business Account (CEBA)
- Temporary Ontario Employer Health Tax (EHT) Exemption
- Deferred Workplace Safety and Insurance Board (WSIB) Premiums

Changes Affecting Individuals

- \$2,000 / Month - Canada Emergency Response Benefit (CERB)
- Student Benefits
 - \$1,250 / Month – Canada Emergency Student Benefit (CESB)
 - Canada Student Service Grant
 - Deferral of interest on student loans
- One-Time GST Credit for Individuals
- RRIF Withdrawals

Canada's COVID-19 Economic Response Plan Web Portal

The Federal Government has set-up the following **COVID-19 Economic Response Plan** web portal that summarizes all previously announced measures and future updates to these measures.

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

Tax Filing Deadlines and Payment of Taxes for Businesses and Individuals

	Tax Filing Deadlines		Payment Deadlines	
	Normal	New Extended	Normal	New Extended
Individuals (T1)	April 30, 2020	June 1, 2020	April 30, 2020	September 30, 2020 (a)
Individuals - self-employed (T1)	June 15, 2020	No change	April 30, 2020	September 30, 2020 (a)
Corporations (T2)	6 months after year-end	September 1, 2020 (b)	2 months after year-end (c)	September 30, 2020 (d)
Trusts (T3) (e)	March 30, 2020	May 1, 2020	March 30, 2020	September 30, 2020
Charities (f)	6 months after year-end	December 31, 2020	N/A	N/A
Partnerships (T5013)	March 31, 2020	May 1, 2020	Not applicable	Not applicable
Summary of Payments to Non-Residents (NR4)	March 31, 2020	May 1, 2020	15 th of each month following the payment to non-resident	No change
GST/HST – monthly (g)	1 month after reporting period	No change (h)	1 month after reporting period	June 30, 2020
GST/HST – quarterly (g)	1 month after reporting period	No change (h)	1 month after reporting period	June 30, 2020
GST/HST – yearly (g)	3 months after reporting period	No change (h)	3 month after reporting period	June 30, 2020
Other information returns, elections, designations and information requests	Extended to June 1, 2020 – Unless otherwise noted, this extension applies to other information returns, elections, designations, and information requests that are due after March 18, 2020 and before June 2020.			

Notes:

- (a) Includes the June 15th and September 15th instalment payment for those have to pay by instalments.
- (b) Applies to corporations that would otherwise have a filing due date after March 18 and before June 1, 2020.
- (c) For CCPCs (Canadian Controlled Private Corporations), the normal deadline for tax payments is 3 months after the taxation year-end on tax payable income eligible for the small business deduction.
- (d) Applies to balances and instalments under Part 1 of the Income Tax Act due on or after March 18, 2020 and before September 30, 2020.
- (e) Applies to Trusts with a tax year end date of December 31, 2019. However, Trusts that would otherwise have a filing due date in April or May are now due June 1, 2020 and payments are due September 30, 2020.
- (f) Applies to charities with Form T3010 due between March 18, 2020 and December 31, 2020.
- (g) The deferral will apply to GST/HST remittances for the February, March and April 2020 reporting periods for monthly filers; the January 1, 2020 through March 31, 2020 reporting period for quarterly filers; and for annual filers, the amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year.
- (h) The deadline for businesses to file their GST/HST returns is unchanged. Those who are able to, should continue to file their GST/HST returns on time reporting their net tax for the reporting period to help facilitate tax compliance and administration. However, recognizing the difficult circumstances faced by businesses, the CRA won't impose penalties where a return is filed late provided that it is filed by June 30th.

Changes Affecting Businesses

Canada Emergency Wage Subsidy (CEWS)

The initial set of CEWS legislation was passed on April 11, 2020 and allowed all businesses, non-profit organizations and charities with a revenue decrease to be eligible for the 75 percent Canada Emergency Wage Subsidy (CEWS). The March eligibility criteria for the subsidy was a 15 percent decline in revenue, which was raised to 30 percent for April and May

On May 15, 2020, the Government extended the CEWS program to include three additional claim periods (i.e. June, July and August). For June, the same eligibility rules apply as they do for the April and May claim periods (i.e. 30 percent revenue decline test).

On July 17, 2020, the Government released details in respect of the redesigned CEWS program effective from July 5, 2020 to December 19, 2020. The changes are somewhat complex but are designed to ensure the CEWS is made available to businesses that actually need it. The key changes are as follows:

- For the period starting July 5, 2020 (Period 5), the 30 percent revenue decline threshold for was eliminated so that qualifying employers who have experienced any decline in revenue are eligible for the CEWS on a pro-rated basis.
- There will also be a gradual reduction of the CEWS from July 5, 2020 to December 19, 2020 (Period 5 to Period 10).
- Effective July 5, 2020, the CEWS will consist of two parts, a base subsidy and a top-up subsidy.
 - The base subsidy is available to all eligible employers that are experiencing any decline in revenues, with the subsidy amount varying depending on the scale of revenue decline;
 - The top-up subsidy is also calculated on a sliding scale and offers up to an additional 25 percent for those employers that have experienced more than a 50 percent revenue decline.
- Some additional points to note are as follows:
 - The CEWS changes also include a “safe harbour” by which an eligible employer with a revenue decline of 30 percent or more in Periods 5 and 6 will receive at least 75 percent CEWS rate like the employer would have under the rules for Periods 1 through 4 (March 15 to July 4).
 - Effective July 5, 2020, the eligibility criteria will no longer exclude employees that are without remuneration in respect of 14 or more consecutive days in an eligibility period.
 - For the purpose of the base CEWS, eligibility will generally be determined by the change in an eligible employer’s monthly revenues, year-over-year, for the applicable calendar month.

- For Period 5 and all subsequent periods, an eligible employer will be able to use the greater of its percentage revenue decline for the current period or the previous period for the purposes of determining its qualification for the base CEWS and its base CEWS rate in the current period. For example, when determining the base CEWS for August, an employer can use the July revenue decline percentage if it's higher than the August revenue decline percentage, in order to maximize the base CEWS rate.
- If an employer has previously elected to use the average of January/February in determining their prior reference period (the alternative approach), they may now choose to use the previous year comparable month (the general approach) for Period 5 onwards. Vice versa, an entity that used the general approach for Period 1 – 4 may now elect to use the alternative approach rather than the general approach for Period 5 onwards.
- If the entity elected to use the cash accounting method previously, this does not appear to be able to be changed. The election still applies for all qualifying periods.

WHO IS ELIGIBLE FOR THE SUBSIDY?

Eligible employers are eligible for the subsidy if you:

- are a(n):
 - individual,
 - partnership consisting of eligible employers,
 - non-profit organization,
 - registered charity, or
 - taxable corporation.
- have an open payroll program account with the CRA on March 15, 2020;
- have experienced the required reduction in revenue for one or more claim periods; and
- file a wage subsidy application before January 31, 2021 (previously, the deadline to make any claims was September 30, 2020).

Eligible Employees

An eligible employee is an individual who is employed in Canada.

- Eligibility for the CEWS of an employee's remuneration, will be limited to employees that have not been without remuneration for more than 14 consecutive days in the eligibility period, i.e., from March 15 to April 11, from April 12 to May 9, from May 10 to June 6, and from June 7 to July 4.
- Effective July 5, 2020, for Period 5 and onwards, the eligibility criteria will no longer exclude employees that are without remuneration in respect of 14 or more consecutive days in an eligibility period.

Calculating Revenues

An employer's revenue for this purpose is its revenue in Canada earned from arm's-length sources. Revenue is calculated using the employer's normal accounting method, and excludes revenues from extraordinary items and amounts on account of capital.

Employers are allowed to calculate their revenues under the accrual method or the cash method, but not a combination of both. Employers select an accounting method when first applying for the CEWS and are required to use that method for the entire duration of the program.

For registered charities and non-profit organizations, the calculation includes most forms of revenue, excluding revenues from non-arm's length persons. These organizations are allowed to choose whether or not to include revenue from Government sources as part of the calculation. Once chosen, the same approach applies throughout the program period.

Non-Arm's Length Transactions

Special rules for the computation of revenue are provided to take into account certain non-arm's length transactions, such as where an employer sells all of its output to a related company that in turn earns arm's length revenue. As well, affiliated groups are able to compute revenue on a consolidated basis.

- All members of an affiliated group (affiliation generally means common control by a person or spouse or group of people) may jointly elect to use the same consolidated qualifying revenue for the revenue decrease test.
- Alternatively, a group that normally prepares consolidated financial statements may choose to determine qualifying revenue separately for each member, but every member of that group must do the same.
- Where an employer receives, substantially all (typically means 90 percent or more) of its revenue from non-arm's length persons, a joint election can be made to calculate the employer's decrease in revenue based on the non-arm's length person's decrease in revenue.

Eligible Periods

Eligibility is determined by the change in an eligible employer's monthly revenues, year-over-year, for the calendar month in which the period began.

Alternatively, employers are allowed to compare their revenue for the period to an average of their revenue earned in January and February 2020.

Employers can select the general year-over-year approach or this alternative approach when first applying for the CEWS and are required to use the same approach for the entire duration of Periods 1 to 4. And then are permitted to change the approach for Periods 5 – 9.

TABLE 1 - Eligible Periods

Eligible Period	Claiming Period	Required reduction in revenue	Reference period for eligibility
Period 1	March 15 to April 11	15 percent	March 2020 over: <ul style="list-style-type: none"> • March 2019 or • Average of January and February 2020
Period 2	April 12 to May 9	30 percent	Eligible for Period 1 OR April 2020 over: <ul style="list-style-type: none"> • April 2019 or • Average of January and February 2020
Period 3	May 10 to June 6	30 percent	Eligible for Period 2 OR May 2020 over: <ul style="list-style-type: none"> • May 2019 or • Average of January and February 2020
Period 4	June 7 to July 4	30 percent	Eligible for Period 3 OR June 2020 over: <ul style="list-style-type: none"> • June 2019 or • Average of January and February 2020
Period 5	July 5 to August 1	30 percent, or Any percentage decline	Eligible for Period 4 OR July 2020 over: <ul style="list-style-type: none"> • July 2019 or • Average of January and February 2020
Period 6	August 2 to August 29	30 percent, or Any percentage decline	Eligible for Period 5 OR August 2020 over: <ul style="list-style-type: none"> • August 2019 or • Average of January and February 2020
Period 7	August 30 to September 26	Any percentage decline	Reference to Period 6 revenue decline OR September 2020 over: <ul style="list-style-type: none"> • September 2019 or • Average of January and February 2020
Period 8	September 27 to October 24	Any percentage decline	Reference to Period 7 revenue decline OR Eligible for Period October 2020 over: <ul style="list-style-type: none"> • October 2019 or • Average of January and February 2020
Period 9	October 25 to November 21	Any percentage decline	Reference to Period 8 revenue decline OR November 2020 over: <ul style="list-style-type: none"> • November 2019 or • Average of January and February 2020
Period 10	November 22 to December 19	To be confirmed	To be confirmed by the Department of Finance at a later time

WHAT IS THE AMOUNT OF THE WAGE SUBSIDY?

Claim Period 1 to Claim Period 4 (March 15 to July 4)

- The subsidy rate is 75 percent of the eligible remuneration up to a maximum of \$847 per week per eligible employee provided that the criteria for revenue decrease has been met; 15 percent for Period 1 and 30 percent for Periods 2 and 3.
- The pre-crisis remuneration for a given employee is based on the average weekly remuneration paid between January 1 and March 15 inclusively, excluding any 7-day periods in respect of which the employee did not receive remuneration.
- Employers are also eligible for a subsidy of up to 75 percent of salaries and wages paid to new employees.
- Eligible remuneration may include salary, wages and other remuneration like taxable benefits. These are amounts for which employers are generally required to withhold or deduct amounts to remit to the Receiver General on account of the employee's income tax obligation. However, it does not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.
- There is no overall limit on the subsidy amount that an eligible employer may claim.

Claim Period 5 to Claim Period 9 (July 5 to November 21)

- Unlike Claim Periods 1 to 3, the subsidy rates for Claim Periods 5 to 9 vary depending on the amount of the revenue decline.
- In Claim Periods 5 and 6 employers have an option to use the same rates as for Claim Periods 1 to 4 OR to follow the new rules for Claim Periods 7 to 9; the Safe Harbour rule.
- In Claim Periods 7 to 9 employers have no choice and must use the new rules.
- Under the Safe Harbour rule, if the revenue drop is 30 percent or more in Periods 5 or 6, an employer can choose to claim 75 percent of eligible remuneration up to a maximum of \$847 per week.
- Alternatively, an employer can use the new rules as follows:
 - Base rate
 - If revenue drop is 50 percent or more
 - the base subsidy is 60 percent of eligible remuneration to a maximum remuneration of \$1,129 per week
 - the subsidy for eligible remuneration of \$1,129 per week or greater would be $60\% \times \$1,129 = \677.40
 - If the revenue drop is 0 percent to 49 percent
 - the base subsidy is 1.2 times the percentage revenue drop
 - a revenue drop of 20 percent would yield a base rate of $1.2 \times 20\% = 24\%$
 - the subsidy for eligible remuneration of \$1,129 per week or greater would be $24\% \times \$1,129 = \270.96
 - Therefore, in Periods 5 and 6 if the employer has a decline in revenue between 30 percent and 50 percent it will be more beneficial for them to follow the older method of calculating the CEWS amount.

○ **Top Up Amounts**

- For employers who suffer significant revenue drops in Claim Periods 5 to 9 there are additional top up subsidies available.
- The top up subsidies are based on a revenue drop over a 3 month span (the revenues from the prior three months) as follows:
 - Revenue decline over 3 months of 70 percent or more
 - subsidy of 25 percent of eligible earnings up to a maximum of \$1,129 per week
 - maximum top up subsidy $25\% \times \$1,129 = \282.25
 - Revenue decline over 3 months between 50 percent to 69 percent
 - subsidy of $1.25 \times (\text{percentage of revenue drop} - 50 \text{ percent})$
 - If revenue drop is 60 percent
 - maximum top up subsidy $1.25 \times (60\% - 50\%) \times \$1,129 = \$141.13$
 - Revenue decline over 3 months of 0 percent to 49 percent
 - No top-up subsidy available

Claim Period 1 to Claim Period 4 (and optional for Period 5 and 6)

The subsidy amount for a given employee on eligible remuneration paid for the period between March 15 and August 29, 2020 is the greater of:

- 75 percent of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
- the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75 percent of the employee's pre-crisis weekly remuneration, whichever is less.

In effect, employers may be eligible for a subsidy of up to 100 percent of the first 75 percent of pre-crisis wages or salaries of existing employees. These employers are expected where possible to maintain existing employees' pre-crisis employment earnings.

The pre-crisis remuneration for a given employee is based on the average weekly remuneration paid between January 1 and March 15 inclusively, excluding any 7-day periods in respect of which the employee did not receive remuneration.

Employers are also eligible for a subsidy of up to 75 percent of salaries and wages paid to new employees.

Eligible remuneration may include salary, wages and other remuneration like taxable benefits. These are amounts for which employers are generally required to withhold or deduct amounts to remit to the Receiver General on account of the employee's income tax obligation. However, it does not include severance pay, or items such as stock option benefits or the personal use of a corporate vehicle.

There is no overall limit on the subsidy amount that an eligible employer may claim.

Claim Period 5 to Claim Period 9**Rate structure of the base CEWS and Top-up CEWS rates**

The maximum base CEWS rate will be gradually reduced from 60 percent in Periods 5 and 6 (July to August 29) to 20 percent in Period 9 (October 25 to November 21).

Timing	Period 5*: July 5 – Aug 1	Period 6*: Aug 2 – Aug 29	Period 7: Aug 30 – Sept 26	Period 8: Sept 27 – Oct 24	Period 9: Oct 25 – Nov 21
Max weekly benefit per employee	Up to \$677	Up to \$677	Up to \$565	Up to \$452	Up to \$226
Revenue Drop					
50% and over	60%	60%	50%	40%	20%
0% TO 49%	1.2 X revenue drop	1.2 X revenue drop	1.0 X revenue drop	0.8 X revenue drop	0.6 X revenue drop

(*) As a result of the safe harbour rules for Periods 5 and 6, employers have the option of choosing which method of calculating the CEWS amount. They can follow the prior method of calculating the CEWS amount or they can use the new method. If the employer has a revenue decline between 30% and 50% then it will be more beneficial to follow the older method of calculating the CEWS amount.

Top-up CEWS rates for selected levels of average revenue drop over the preceding three months.

3-month average revenue drop	Top-up CEWS rate	Top-up calculation = $1.25 \times (\text{3 month revenue drop} - 50\%)$
70% and over	25%	$1.25 \times (70\% - 50\%) = 25\%$
65%	18.75%	$1.25 \times (65\% - 50\%) = 18.75\%$
60%	12.5%	$1.25 \times (60\% - 50\%) = 12.5\%$
55%	6.25%	$1.25 \times (55\% - 50\%) = 6.25\%$
50% and under	0.0%	$1.25 \times (50\% - 50\%) = 0\%$

HOW DO I APPLY FOR THE SUBSIDY?

Eligible employers can apply for the CEWS in CRA's My Business Account or through a separate application form. If it has not been set-up already, your business should set-up access to *My Business Account* prior to applying for CEWS. Otherwise, you may also engage your authorized representative to apply on your behalf.

To set up your *My Business Account*, you will have to complete 2 steps on CRA's website:

Step 1 – Provide Personal Information

- Enter your social insurance number.
- Enter your birth date.
- Enter your current postal code or ZIP code.
- Enter an amount you entered on 1 of your income tax and benefit returns. Have a copy of your returns handy. The amount requested will vary. It could be from the current tax year or the previous one. To register, a return for 1 of these 2 years must have been filed and assessed.
- Create a CRA user ID and password.
- Credit your security questions and answers.
- Enter your business number.

Step 2 – Enter the CRA Security Code

- To access your account, return to My Business Account, select "CRA login", and enter your CRA user ID and password. When prompted, enter your CRA security code.

For further assistance with *My Business Account* registration or confirming your security code you will need to contact CRA's business line at 1-800-959-5525.

CAN CEWS INTERACT WITH ANY OTHER PROGRAMS?

10 Percent Temporary Wage Subsidy (TWS)

For employers that are eligible for both the CEWS and the 10 percent wage subsidy for a period, any benefit from the 10 percent wage subsidy for remuneration paid in a specific period will reduce the amount available to be claimed under the CEWS in that same period. Employers also have the option of electing to claim 0% of the TWS and therefore will not have to reduce the CEWS amount accordingly.

EI Work-Sharing Program

EI benefits received by employees through the Work-Sharing program will reduce the benefit that their employer is entitled to receive under the CEWS.

EI and CPP Payroll Remittances – For Employees on Leave

Employers are entitled to a full refund for employer-paid remittances to EI and CPP in certain circumstances. The refund covers 100 percent of these amounts for each week throughout which an employee is on leave with pay and for which the employer is eligible to claim wage subsidy for that employee.

This part of the CEWS is not limited by the \$847 per week cap, but the employer still has to first make all the required payroll withholding and remittances and then apply for CEWS to get back the employer-portion of EI and CPP.

WHAT ARE THE PENALTIES FOR NOT FOLLOWING THE RULES?

Employers are required to repay amounts paid under the CEWS if they do not meet the eligibility requirements. Penalties may apply in cases of fraudulent claims. The penalties may include fines or even imprisonment. In addition, anti-abuse rules would be put in place to ensure that the subsidy is not inappropriately obtained and to help ensure that employees are paid the amounts they are owed.

Employers that engage in artificial transactions to reduce revenue for the purpose of claiming the CEWS will be subject to a penalty equal to 25 percent of the value of the subsidy claimed, in addition to the requirement to repay in full the subsidy that was improperly claimed.

COMMON QUESTIONS AND ANSWERS

- 1. Is the subsidy considered taxable income?**
 - Yes. CEWS is considered Government assistance, which means that the CEWS amount received is taxable to you in the tax year received.
- 2. Is the change in revenue test based on gross revenue or profit?**
 - It is based on gross revenue. Gross revenue is more consistent with the definition of “qualifying revenue”. Qualifying revenue includes the inflow of cash, receivables or other consideration arising the course of the ordinary activities of the eligible entity, generally from the sale of goods, the rendering of services and the use by others of resources of the eligible entity, in Canada in the particular period.
 - Expenses are not relevant in applying the change in revenue test.
- 3. Can revenue be calculated by including bad debts for any unpaid invoices?**
 - No. A bad debt is considered an expense and therefore would not be offset against gross revenues when determine the revenue decline as part of the revenue test.
 - However, bad debts may be factored if a company elects to use the cash method of account in determining if there was a decrease in qualifying revenue.
- 4. If the employer’s decrease in revenue does not meet the minimum percentages, could there be a partial claim to CEWS?**
 - No. Based on the current rules it is an all-or-nothing test.
- 5. Does the decrease in revenue have to be directly related to COVID-19?**
 - No. There is no reference in the legislation or any announcements to indicate this is a requirement.
- 6. Does it matter which accounting standard the employer follows?**
 - No, as long the employer is consistent with the accounting standard that is used pre-crisis versus now.

7. Should an employer wait to apply for CEWS until after the claim periods have past?

- It may make sense to wait to apply for CEWS because of the ability of an entity to choose between cash accounting versus normal accrual accounting or choosing between January and February 2020 revenue versus the corresponding month in 2019.
- If the employer waits until the claim periods are over they can then determine in retrospect which options may yield a better result. However, the need for cash may trump the luxury for time.
- The deadline for filing an application is January 31, 2021.

8. If an employer elects to use cash accounting, do they need to compare the prior reference period using cash accounting as well?

- Yes. It is our understanding that the same methodology should be applied to both the current period and prior period.

9. Does the CEWS subsidy apply to contractors?

- No. An employer must have a payroll in order to qualify for CEWS.

10. Can employers receive CEWS for new employees hired during the crisis?

- Yes, if the new employee is an arm's length employee.
- No, if the new employee is a non-arm's length employee (i.e. a relative of the owner).

10 Percent Temporary Wage Subsidy (TWS)

The 10 percent Temporary Wage Subsidy for Employers is a 3-month measure that will allow eligible employers to reduce the amount of payroll deductions required to be remitted to the CRA.

The subsidy is equal to 10 percent of the remuneration you pay from March 18, 2020 to June 19, 2020, up to \$1,375 for each eligible employee to a maximum of \$25,000 total per employer.

WHO IS ELIGIBLE FOR THE SUBSIDY?

Eligible employers are eligible for the subsidy if they:

- are a(n):
 - individual (excluding trusts),
 - partnership,
 - non-profit organization,
 - registered charity, or
 - Canadian-controlled private corporations ("CCPC");
- have an existing business number and payroll program account with the CRA on March 18, 2020; and
- pay salary, wages, bonuses, or other remuneration to an eligible employee.

An **eligible employee** is an individual who is employed in Canada.

Partnerships are only eligible for the subsidy if their members consist exclusively of individuals, registered charities, other partnerships eligible for the subsidy, or eligible CCPCs.

CCPCs are only eligible for the subsidy if they have a business limit for their last taxation year that ended before March 18, 2020, greater than Nil (determined without reference to the passive income business limit reduction).

An employer that is part of an associated group that has over \$15 million of “taxable capital” in the year prior to the last taxation year noted above, in aggregate, will not qualify for this subsidy since the “eligible employer” definition requires entitlement to at least \$1 of small business limit.

Associated CCPCs will not be required to share the maximum subsidy of \$25,000 per employer.

HOW DO I CALCULATE THE SUBSIDY?

The subsidy is calculated manually by who ever is making the payroll remittances, usually an outside payroll service provider. The CRA will not automatically calculate the allowance subsidy.

You will continue deducting income tax, CPP contributions and EI premiums from salary, wages, bonuses, as you currently do. The subsidy is calculated when you remit these amounts to the CRA.

Once you have calculated your subsidy, you can reduce your current payroll remittance of federal, provincial, or territorial income tax that you send to the CRA by the amount of the subsidy.

You cannot reduce your remittance of CPP contributions or EI premiums. You must continue remitting the CPP contributions and EI premiums that you deducted from your employees, as well as your share of CPP contributions and EI premiums, to the CRA.

HOW DO I APPLY FOR THIS SUBSIDY?

You can start reducing payroll remittances for income tax in the first remittance period that includes remuneration paid from March 18, 2020 to June 19, 2020.

If you choose not to reduce your payroll remittances during the year, you can still calculate the 10 percent Temporary Wage Subsidy on remuneration paid from March 18, 2020 to June 19, 2020. At the end of the year, the CRA will pay the amount to you or transfer it to your next year’s remittance.

COMMON QUESTIONS AND ANSWERS

1. Is the subsidy considered taxable income?

- Yes. CEWS is considered Government assistance, which means that the CEWS amount received is taxable to you in the tax year received.

2. What if my business is closed?

- If you did not pay salary, wages, bonuses or other remuneration to an eligible employee from March 18, 2020 to June 19, 2020, you cannot receive the subsidy, even if you are an eligible employer.

3. What books and records do I need to support the subsidy?

- You will need to keep information to support your subsidy calculation This includes:
 - the total remuneration paid from March 18, 2020 to June 19, 2020;
 - the federal, provincial or territorial income tax that was deducted from that remuneration; and
 - the number of eligible employees employed in that period.

Canada Emergency Business Account (CEBA)

The new Canada Emergency Business Account (CEBA) will provide interest-free loans of up to \$40,000 to small business and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

To qualify, these organizations will need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019.

WHO IS ELIGIBLE FOR CEBA?

- The Borrower is a Canadian operating business in operation as of March 1, 2020.
- The Borrower has a federal tax registration.
- The Borrower's total employment income paid in the 2019 calendar year was between \$20,000 and \$1,500,000.
- The Borrower has an active business chequing/operating account with the Lender, which is its primary financial institution. This account was opened on or prior to March 1, 2020 and was not in arrears on existing borrowing facilities, if applicable, with the Lender by 90 days or more as at March 1, 2020.
- The Borrower has not previously used the Program and will not apply for support under the Program at any other financial institution.
- The Borrower acknowledges its intention to continue to operate its business or to resume operations.
- The Borrower agrees to participate in post-funding surveys conducted by the Government of Canada or any of its agents.

On May 19, 2020, the Government announced that it was expanding the CEBA eligibility to a greater number of businesses that are sole proprietors receiving income directly from their businesses, businesses that rely on contractors, and family-owned corporations that pay employees through dividends rather than payroll. To qualify under the expanded eligibility criteria, applicants with payroll lower than \$20,000 will need:

- A CRA business number, and to have filed a 2018 or 2019 tax return
- Eligible non-deferrable expenses between \$40,000 and \$1.5 million. Eligible non-deferrable expenses may include costs such as rent, property taxes, utilities, and insurance.
- The other points mentioned above (besides the requirement to have payroll between \$20,000 and \$1,500,000).

ARE THERE ANY RESTRICTIONS ON HOW I CAN USE CEBA FUNDS?

The funds from this loan shall only be used by the Borrower to pay non-deferrable operating expenses of the Borrower including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

It is up to the banks to qualify the applicants according to the criteria above.

HOW DO I APPLY FOR CEBA?

Business owners must apply for support through their banks.

The application deadline for the CEBA is October 31, 2020.

Temporary Ontario Employer Health Tax (EHT) Exemption

The announcement from Ontario temporarily increases the EHT exemption. Under this change, employers with a total annual payroll of less than \$5 million would be exempt from EHT on up to \$1 million (from \$490,000) of their payroll, retroactive to January 1, 2010.

The exemption threshold will return to its current level of \$490,000 of payroll on January 1, 2021. The highest EHT rate is 1.95 percent. The maximum potential tax savings from this change will be \$9,945.

HOW DO I APPLY FOR THIS BENEFIT?

The EHT exemption increase can be claimed as part of a businesses regular Ontario EHT tax filings.

Deferred Workplace Safety and Insurance Board (WSIB) Premiums

This relief will allow employers to defer premium payments until August 31, 2020. Premium deferral impacts those employers who report and pay monthly, quarterly or annually based on their insurable earnings. Also, no interest will accrue on outstanding premium payments and no penalties will be charged during the deferral period.

Each customer reports and pays on the previous full month or quarter, for example March 31 reporting and payment obligation covers the period of February 1 – 29.

The following payments are eligible for deferral:

- Monthly: March 31, April 30, May 31, June 30, July 31
- Quarterly: April 30, July 31
- Annual: April 30

HOW DO I APPLY FOR THIS BENEFIT?

No action is required by the employers to take advantage of the deferred premium payments. All employers covered by the WSIB's workplace insurance are automatically eligible for the financial relief package. This means that businesses can defer premium reporting and payments until August 31, 2020.

Employers will not be required to opt in to receive this benefit and businesses are not required to inform the WSIB they are taking advantage of this measure.

Changes Affecting Individuals

Canada Emergency Response Benefit (CERB)

On August 20, 2020 the Government of Canada announced changes to the **Canada Emergency Response Benefit (CERB)** and extended the benefit period from 24 weeks to 28 weeks, until September 27, 2020. Starting September 27, 2020, people who are still claiming CERB benefits will be transitioned to an enhanced Employment Insurance (EI) program which will be available to more Canadians.

The CERB will provide a taxable benefit of \$2,000 per month for up to 7 months (7 claim periods) for the following:

- workers who must stop working due to COVID-19 and do not have access to paid leave or other income support.
- workers who are sick, quarantined, or taking care of someone who is sick with COVID-19.
- working parents who must stay home without pay to care for children that are sick or need additional care because of school and daycare closures.
- workers who still have their employment but are not being paid because there is currently not sufficient work and their employer has asked them not to come to work.
- wage earners and self-employed individuals, including contract workers, who would not otherwise be eligible for Employment Insurance.

The legislation requires the applicant of the CERB to be an “eligible worker”, which means that they must be:

- at least 15 years of age;
- resident in Canada; and
- for 2019 or in the 12-month period preceding the day on which they make an application had a total income of at least \$5,000 from
 - employment;
 - self-employment (including non-eligible dividends); and
 - certain EI benefits (maternity and parental benefits).

When submitting your first claim, you cannot have earned more than \$1,000 in employment and/or employment income for 14 or more consecutive days within the 4-week benefit period of your claim.

When submitting subsequent claims, you cannot have earned more than \$1,000 in employment and/or self-employment income for the entire 4-week benefit period of your new claim.

Important Comments on the Eligibility of Claiming the CERB

- The employed or self-employed worker must cease work within any 4-week application period for reasons related to COVID-19 for at least 14 consecutive days within the 4-week period in respect of which they apply for the payment.
- For the period of cessation of work, the applicant cannot receive employment income, self-employment income or any other EI benefits over \$1,000 per month while collecting CERB.
- Workers that quit voluntarily are not eligible for the CERB.
- CERB benefits will be paid every 4 weeks and will be available from March 15, 2020 to October 3, 2020 and are expected to arrive within 10 days of submitting the application.
- Canadians already receiving EI regular benefits should not apply for the CERB. EI benefits will continue to be paid. However, if EI benefits end before October 3, 2020 and if the taxpayer is unable to return to work due to COVID-19 then an application for CERB benefits can be made.
- Canadians who have already applied for EI and whose application has not yet been processed will not need to reapply.
- The Government has also extended the CERB to seasonal workers who have exhausted their EI regular benefits and are unable to undertake their regular seasonal work because of COVID-19.

HOW DO I APPLY FOR THIS BENEFIT?

A secure web portal for accessing the CERB is currently accessible via the link below. The portal will take you through a short questionnaire to determine your eligibility and process the application accordingly.

<https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

Student Benefits

Canada Emergency Student Benefit

On April 21, 2020, the Prime Minister proposed the Canada Emergency Student Benefit, which will provide support to students and new graduates who are not eligible for the Canada Emergency Response Benefit (CERB).

This benefit will provide \$1,250 per month for eligible students or \$1,750 per month for eligible students with dependents or disabilities. The benefit will be available to students from May to August 2020.

Further details are expected from the Government soon about the eligibility, how to apply and when the application process will be open.

Canada Student Service Grant

On April 21, 2020, the Prime Minister also proposed the Canada Emergency Service Grant, which is intended to help students gain valuable work experience and skills while they help their communities during the COVID-19 pandemic. For students who choose to do national service and serve their communities (i.e. volunteer), the new Canada Service Grant will provide up to \$5,000 for their education in the fall.

Further details are expected from the Government soon about the eligibility, how to apply and when the application process will be open.

Student Loans

Effective March 30th, the Federal Government is placing an interest-free moratorium on the repayment of Canada Student Loans for all student loan borrowers. No payment will be required and interest will not accrue during this time.

HOW DO I APPLY FOR THIS BENEFIT?

Students do not need to apply for the repayment pause. It will occur automatically.

It should also be noted that most provinces and territories with student loan programs are also following the Federal Government's relief on payment and interest on student loans.

One-Time GST Credit for Individuals

This one-time special payment will start being paid on April 9th through the GST credit for low and modest income families and there is no need to apply.

The average additional benefit will be close to \$400 for single individuals and close to \$600 for couples.

The maximum entitlement will be \$443 for single individuals and \$580 for couples. An extra \$153 for each child under the age of 19 and residing with the individual will also be provided.

Similar to the normal GST credit, the one-time GST credit begins phasing out at 5 cents for every dollar of family income earned in 2018 over \$37,789.

HOW DO I APPLY FOR THIS BENEFIT?

- GST credits for the period July 2019 to June 2020 are determined and processed as part of your 2018 T1 Individual Income tax filings. There is no need to apply for this payment. If you are eligible, you will get it automatically.
- If you are eligible, you will get it automatically starting April 9th. There is no requirement to file 2019 personal tax returns in order to receive it.

Canada Child Benefit (CCB)

An extra \$300 per child will be paid to taxpayers who already receive the CCB. This benefit will be paid as part of the scheduled CCB payment in May.

The CCB is calculated every July, with the benefit payment being calculated based on adjusted family net income from the previous year. Entitlement to this additional amount is based on the 2018 taxation return, so individuals will not be required to file their 2019 return in order to obtain this increased CCB amount in May 2020.

HOW DO I APPLY FOR THIS BENEFIT?

- There are 3 main ways to apply for the CCB
 - When you have a newborn you can register for the CCB by paper at the hospital.
 - You can register online through “My Account” (your personal CRA account).
 - You can file by mail using Form RC66, Canada Child Benefits Application.
- Visit the following web link for further details for registration:
 - <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-child-benefit-overview/canada-child-benefit-apply.html>
- Those who already receive the CCB do not need to re-apply.

RRIF Withdrawals

For seniors with Registered Retirement Income Funds (RRIF's), the required minimum withdrawals will be reduced by 25 percent for 2020 so that seniors may avoid unnecessary liquidation and withdrawals while stock market conditions are unfavourable and allow for a deferral of tax on funds not needed to meet living expenses.

HOW TO APPLY FOR THIS BENEFIT

The taxpayer holding the RRIF account will need to coordinate with their bank or investment advisor to reduce the RRIF payments.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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