

March 30, 2020

COVID – 19 AND SUPPORT FOR BUSINESSES AND INDIVIDUALS

In these unusual times we hope that you and your family are keeping healthy and adhering to all of the guidelines on how society must behave to avoid contracting COVID-19 and help flatten the curve.

On Sunday, March 29, 2020, Justin Trudeau mentioned the need to help out the various charitable Foundations to help those less fortunate or in need where possible. We at HSM have made a donation to one of our favourite charities.

Over the last several weeks there have been various announcements concerning Government support for businesses and individuals. Many of these announcements still require clarification as to how and when applications are to be made. Also, there is still a lack of detail on who will qualify for support and how that support will be calculated.

This article includes many of the support programs announced that will help many small and medium sized businesses.

We have not included specific details with regard to Employment Insurance benefits, Goods and services tax credit and the Canada Child Benefit in this article.

We will update you with additional details as information come available. Meanwhile please contact us if you want to discuss anything related to the subsidies as these relate to your business, you and your family.

DEFERRAL OF TAX REMITTANCES

INCOME TAXES

Quote from CRA - "The Canada Revenue Agency will allow all taxpayers to defer until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 1, 2020. This relief would apply to tax balances due, as well as instalments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period."

This deferral is for business and individuals.

We are not clear if, for example, you or your business was required to pay tax instalments for the 2019 calendar year and did not, will interest still be payable on those instalments up to the date of the announcement? Additional clarification on this and other related questions will hopefully be available from the CRA shortly.

SALES TAXES

GST/HST remittance payment deadlines have been extended (although it seems that returns still should be filed on time) to June 30 as follows:

- Monthly filers have to remit amounts collected for the February, March and April 2020 reporting periods;
- Quarterly filers have to remit amounts collected for the January 1, 2020 through March 31, 2020 reporting period; and
- Annual filers, whose GST/HST return or instalment are due in March, April or May 2020, have to remit amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year.

The obvious question here is that when businesses defer their GST/HST liabilities, will they have the funds to pay at the end of June.

Similarly Customs Duty and Sales Tax for importers for statement of accounts March/April/May is now due June 30, 2020.

It's important to note that presently there is no deferral for income tax/CPP/EI deducted from employee remuneration.

WAGE SUBSIDY

This week the Federal Government announced a wage subsidy of up to 75 per cent (up from the previously announced limit of 10%) for qualifying businesses, for up to 3 months, retroactive to March 18, 2020. However, in a press conference, Finance Minister Bill Morneau said that the wage subsidy is intended for "businesses that have suffered significant revenue loss".

Further details have been promised in the next few days. The original 10% subsidy had some strange quirks that could deny the credit to many businesses. We will not detail the requirements for the 10% subsidy now as the 75% subsidy replaces it. Hopefully the new 75% subsidy is more transparent and available to all who need it. Additional details should be available in the next few days.

EXTENDED TAX FILING DATES

June 1, 2020 – for most income tax returns, forms, elections, designations, and responses to information requests which are ordinarily due after March 18, 2020 and before June 1, 2020.

Returns included here are:

- Personal tax returns (T1) and Corporate tax returns (T2) – of special note personal tax returns for the self-employed still remain due on June 15, 2020.
- T106/T1134/T1135/T1141/T1142 information returns

May 1, 2020 – included are:

- Trust returns (T3)
- Partnership information returns (T5013)
- Non-resident information returns (NR4) – though remittance requirements remain unchanged.

December 31, 2020 – all Charity Information Returns (T3010) due between March 18 and December 31, 2020.

For any Notice of Objection due March 18, 2020 or later, the deadline is now extended to June 2020 (exact date to be confirmed).

CANADA EMERGENCY BUSINESS ACCOUNT (“CEBA”) – limited details available

This program will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus. It will be implemented by your financial institutions in cooperation with Export Development Canada (EDC).

To qualify, these organizations will need to demonstrate they paid between \$50,000 and \$1 million in total payroll in 2019. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness up to 25 percent (up to \$10,000).

NEW LOAN GUARANTEE FOR SMALL AND MEDIUM ENTERPRISES

Available to small and medium-sized enterprises to support their operations, EDC will guarantee new operating credit and cash flow term loans that financial institutions extend to small and medium-sized businesses (SME's), up to \$6.25 million.

NEW CO-LENDING PROGRAM FOR SMALL AND MEDIUM ENTERPRISES – limited details available

Quote for Government website:

“To provide additional liquidity support for Canadian businesses, the Co-Lending Program will bring the Business Development Bank of Canada (BDC) together with financial institutions to co-lend term loans to SMEs for their operational cash flow requirements.

Eligible businesses may obtain incremental credit amounts up to \$6.25 million, BDC's portion of this program is up to \$5 million maximum per loan. Eligible financial institutions will conduct the underwriting and manage the interface with their customers. The potential for lending for this program will be \$20 billion. “

SUSPENDING AUDIT ACTIVITIES

CRA will not initiate contact with taxpayers for audits, with certain exceptions. This includes:

- no new audits being launched;
- no requests for information related to existing audits; and
- no audits should be finalized and no reassessments should be issued.

CANADA EMERGENCY RESPONSE BENEFIT (“CERB”)

In place of the previously-announced Emergency Care Benefit and Emergency Support Benefit, this new taxable benefit, available between March 15, 2020 and October 3, 2020, will provide up to 4 payments of \$2,000, payable every 4 weeks (i.e. 16 weeks total), to certain Canadian workers who lose their income due to the COVID-19 pandemic. This benefit will not be available to those who quit their employment voluntarily. The government has indicated that this benefit will be available to Canadians who are wage earners, as well as to contract workers and self-employed individuals ***who would not otherwise be eligible*** for EI, so long as they (i) cease working for reasons related to COVID-19 for at least 14 days within each 4-week period applied for, and (ii) do not receive income or benefits during that time.

The portal to apply for this benefit will be available in early April, and the first installment of this benefit is expected to be paid to eligible Canadians within 10 days of application. The Government has suggested in preparation for applying for the CERB that everyone should register for ***My Account for Individuals*** on the Canada Revenue Agency website or a ***My Service Canada Account***. This benefit is intended to fill the gaps by assisting individuals who are not eligible for EI, as well as to provide timely access to income support for EI-eligible Canadians who are facing long processing times due to the sharp increase in EI applications. Those already receiving EI regular and sickness benefits should not apply for this benefit, as their EI benefits will continue as normal (though if their EI benefits end before October 3, 2020, they will be free to apply for this benefit if they are unable to return to work due to COVID-19). Those who have already applied for EI but have an application pending would not need to re-apply. EI-eligible Canadians can continue to apply for EI benefits as normal. Once the full 16 weeks of this benefit have been paid, then those eligible for EI will still be able access EI benefits after that time.

REGISTERED RETIREMENT INCOME FUNDS

Minimum withdrawals from Registered Retirement Income Funds (“RRIF”) for 2020 have been reduced by 25%. Contact your investment advisor.

MORTGAGE SUPPORT

Deferral of mortgage payments for up to 6 months may be available. Contact your financial institution.

STUDENT LOANS

Repayment is suspended until September 30, 2020.

TAXPAYER RELIEF REQUESTS

When all this is over it's obvious that many taxpayers will not have funds to catch up on their tax liabilities. The following is a quote from CRA:

"Taxpayers who are unable to file a return or make a payment by the tax-filing and payment deadlines because of COVID-19 can request the cancellation of penalty and interest charged to their account. Penalties and interest will not be charged if the new deadlines that the government has announced to tax-filing and payments are met."

ONTARIO ANNOUNCEMENT MARCH 25, 2020

Employer Health Tax ("EHT") – effective January 1, 2020 the annual exemption for EHT has been increased for 2020 from \$490,000 to \$1,000,000 for eligible employers with annual payrolls of up to \$5,000,000. It will revert to \$490,000 in 2021.

WSIB - reporting and payments can be deferred until August 31, 2020. Applies to any returns due between March 31, 2020 and August 31, 2020 whether monthly, quarterly or annually.

Five month grace period on provincially administered taxes - beginning April 1, 2020, penalties and interest will not apply to Ontario businesses that miss any filing or remittance deadline under select provincial taxes. This will continue for a period of five months. Relief is automatic, but, Ontario businesses are required to file any late returns or remittances by the end of the relief period.