

COPING WITH COVID-19: A SUMMARY OF CANADA'S ECONOMIC RESPONSE PLAN

May 4, 2020

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Notice: The information herein reflects is current as of May 4, 2020, and is subject to change as additional announcements from the Government of Canada and public health authorities are ongoing.

The novel coronavirus disease (“COVID-19”) has, to date, affected over one million individuals worldwide, and has negatively impacted Canadians across the country. Canadians have been subject to widespread layoffs, while many businesses have been forced to close. This has put a significant strain on the Canadian economy, prompting an immediate response from the Government of Canada (the “Government”) and the provinces.

The Government has announced various measures to assist individuals and businesses who are facing financial hardships because of COVID-19. As the situation continues to evolve, so does the announcement of new measures. Below, we will address the measures the Government has taken up to and including May 4, 2020.

The Government has divided their support efforts into three main categories, which includes support for individuals, support for businesses and support for sectors. The Canadian Revenue Agency (“CRA”) has additionally announced measures that will allow taxpayers to defer their reporting and payment obligations in an attempt to lessen financial hardships during this difficult time.

SUPPORT FOR INDIVIDUALS

In an effort to assist individuals affected by COVID-19, the Government has announced the programs described below.

SUPPORT FOR INDIVIDUALS AND FAMILIES

Extra time to file income tax returns. The filing due dates for 2019 tax returns for individuals (other than trusts) has been extended to June 1, 2020. Additionally, any new income tax balances due may be deferred until after August 31, 2020 without incurring interest or penalties.

Further, if an individual dies after October 2019 and before June 1, 2020, the deadlines are the later of the individual dates and six months after the date of death.

Mortgage support. Canadian banks have committed to working with Canadians who are facing financial hardship because of COVID-19. Canadian banks will assess individuals on a case-by-case basis and may offer mortgage flexibility or deferral.

Increasing the Canada Child Benefit. The Government will increase the Canada Child Care Benefit (CCB) for the 2019-2020 taxation year to provide an additional \$550 to the average family. This will be added to the scheduled CCB payment in May.

Special Goods and Services Tax Credit payment. Low and modest-income families who currently receive the Goods and Services Tax credit will receive a one-time payment, which is expected to be approximately \$400 for single individuals and close to \$600 for couples.

SUPPORT FOR PEOPLE FACING UNEMPLOYMENT

Canada Emergency Response Benefit (CERB). The CERB will provide a taxable benefit of \$2,000 per month for up to four months to eligible workers who have lost their income due to COVID-19. To be eligible for this benefit the individual must:¹

- Reside in Canada and be at least 15 years old;
- Have stopped working because of COVID-19 and not voluntarily quit their job;
- Have income of at least \$5,000 in 2019 or in the 12 months prior to the date of their application;

Originally, the CERB was only available to individuals who stopped working due to COVID-19, and did not extend to those looking for a job. However, on April 15, 2020 the Government announced various changes. To assist more Canadians, the Government changed the eligibility rules to:

- Allow individuals to earn up to \$1,000 per month while collecting the CERB;
- Extend the CERB to seasonal workers who have exhausted their EI regular benefits and are unable to undertake their usual seasonal work as a result of the COVID-19 outbreak; and,
- Extend the CERB to workers who recently exhausted their EI regular benefits and are unable to find a job or return to work because of COVID-19.

Improved access to Employment Insurance sickness benefits. The requirement to provide a medical certificate to access EI sickness benefits will be waived for individuals who are sick, quarantined, or have been directed to self-isolate.

SUPPORT FOR PEOPLE WHO NEED IT MOST

A new Indigenous Community Support Fund. The Government will provide \$305 million to address immediate needs in the First Nations, Inuit, and Metis Nation communities.

Enhancing the Reaching Home initiative. An additional \$157.5 million has been provided to the Reaching Home initiative, which supports individuals experiencing homelessness. The funds will allow for the purchase of beds and physical barriers for social distancing and securing accommodation to reduce overcrowding in shelters.

Support for women's shelters and sexual assault centers. \$50 million has been provided to women's shelters and sexual assault centers for women and children fleeing violence. The hope is that the additional funds will help to manage capacity and prevent an outbreak within these facilities.

SUPPORT FOR SENIORS

Reduced minimum withdrawals for Registered Retirement Income Funds ("RRIF"). The minimum withdraw requirement from a RRIF has been reduced by 25% for 2020.

Personal services: Delivery of items and personal outreach. \$9 million has been contributed through the United Way Canada for local organizations to support practical services to Canadian

¹ <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

seniors. Such services may include the delivery of groceries, medications, or other needed items, or personal outreach to assess each individual's needs and connect them to community supports.

SUPPORTS FOR STUDENTS AND RECENT GRADUATES

A moratorium on the repayment of Canada Student Loans. Effective March 30, 2020, the Government has placed a six-month 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. Additionally, the moratorium is automatic and students are not required to apply for this repayment pause.

Financial support. On April 22, 2020, the Government announced comprehensive support of nearly \$9 billion for post-secondary students and recent graduates. This plan will provide financial support to students this summer, help them continue their studies in the fall, and help many get the experience required for future careers. To date, the measures include launching:

- The proposed Canada Emergency Student Benefit, which would provide support to students and new graduates who are not eligible for the Canada Emergency Response Benefit. This benefit would provide \$1,250 per month for eligible students or \$1,750 per month for eligible students with dependents or disabilities. This benefit would be available from May to August 2020.
- The new Canada Student Service Grant will 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, the new Canada Student Service Grant will provide up to \$5,000 for their education in the fall.

This was introduced to House as the *Canada Emergency Student Benefit* on April 29, 2020.

Further, the Government will expand existing federal employment, skills development, and youth programming to create up to 116,000 jobs, placements, and other training opportunities to help students find employment and develop valuable skills over the coming months. In addition, to help students continue their studies in the fall, the Government will:

- Double the Canada Student Grants for all eligible full-time students to up to \$6,000 and up to \$3,600 for part-time students in 2020-2021. The Canada Student Grants for Students with Permanent Disabilities and Students with Dependents would also be doubled.
- Broaden eligibility for student financial assistance by removing the expected student's and spouse's contributions in 2020-2021, in recognition that many students and families will struggle to save for school this year.
- Enhance the Student Loans Program by raising the maximum weekly amount that can be provided to a student in 2020-2021 from \$210 to \$350
- Extend expiring federal graduate research scholarships and postdoctoral fellowships, and supplement existing federal research grants, to support students and post-doctoral fellows, by providing \$291.6 million to the federal granting councils. In addition, the Government intends to enhance work opportunities for graduate students and post-doctoral fellows through the National Research Council of Canada.

SUPPORT FOR YOUTH

Mental health support. \$7.5 million has been provided to Kids Help Phone to provide mental health support to youth during the COVID-19 outbreak.

SUPPORT FOR BUSINESSES

AVOIDING LAYOFFS

Extending the Work-Sharing program. The Work-Sharing program has been extended from 38 weeks to 76 weeks. The Work-Sharing program is offered to workers who agree to reduce their normal working hours because of developments beyond the control of their employers.

The Canadian Emergency Wage Subsidy. The Canadian Emergency Wage Subsidiary (“CEWS”) provides a 75% wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020. The CEWS will help to prevent further job losses and encourages employers to re-hire workers previously laid off because of COVID-19. The CEWS will additionally help to better position Canadian companies and other employers to more easily resume normal operations following the crisis.

Eligible employers includes:

- Individuals;
- Taxable corporations; and,
- Partnerships consisting of eligible employers, non-profit organizations and registered charities.

Eligible employers must see a drop of at least 15% of their revenue in March 2020 and 30% for the following months. Eligible employers will be able to apply for the CEWS through the Canada Revenue Agency’s My Business Account portal.

Public bodies are not eligible for this subsidy. Public bodies generally include municipalities and local governments, Crown corporations, wholly owned municipal corporations, public universities, colleges, schools and hospitals.

The subsidy amount for a given employee on eligible remuneration paid for the period between March 15 and June 6, 2020 is the greater of:

- 75% 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% of the employee’s pre-crisis weekly remuneration, whichever is less.

In effect, employers may be eligible for a subsidy of up to 100% of the first 75% of pre-crisis wages or salaries of existing employees. Employers are expected, where possible, to maintain existing employees’ pre-crisis employment earnings. Additionally, Employers are eligible for a subsidy of up to 75% of salaries and wages paid to new employees.

ACCESS TO CREDIT

Establishing a Business Credit Availability Program. The Business Credit Availability Program has been established to provide \$40 billion of additional support through Business Development Bank of Canada (BDC) and Export Development Canada (EDC). BDC and EDC have been working with private sector lenders to coordinate on credit solutions for individual businesses, typically in the following sectors: oil and gas, air transportation, exports and tourism. This program is projected to roll out in the three weeks after March 27, 2020.

Canada Emergency Business Account. The new Canada Emergency Business Account will provide interest free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs while revenues have reduced. To qualify, businesses must prove that they paid between \$50,000 and \$1 million in total payroll in 2019.

As is the case for the Business Credit Availability Program, the Canada Emergency Business Account program will roll out in the three weeks after March 27, 2020.

In both cases, businesses are encouraged to work with their current financial advisors.

SUPPORTING FINANCIAL STABILITY

Launching an Insured Mortgage Purchase Program. The Government has launched an Insured Mortgage Purchase Program whereby they will purchase up to \$150 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation. The intent is that this will provide long-term stable funding to banks and mortgage lenders, help facilitate continued lending to Canadian customers and businesses, and add liquidity to Canada's mortgage market.

Bank of Canada actions. The bank of Canada has responded to COVID-19 hardships by lowering interest rates, intervening to support financial markets and providing liquidity support for financial institutions. The Bank has also committed to taking future necessary actions to protect the well-being of Canadians.

Lowering the Domestic Stability Buffer. The Office of the Superintendent of Financial Institutions announced it is lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets. This action will allow Canada's large banks to inject \$300 billion of additional lending into the economy.

MORE FLEXIBILITY

More time to pay income taxes. Businesses may defer, until after August 31, 2020, the payment of any income tax amounts that became owing on or after March 18 and before September 2020. This relief applies to tax balances due, as well as instalments, under Part I of the *Income Tax Act* ("ITA"). No interest or penalties will accumulate on these amounts during this period.

Deferral of Sales Tax Remittance and Customs Duty Payments. The Government will additionally allow businesses, including self-employed individuals, to defer until June 30, 2020 payments of the Goods and Services Tax / Harmonized Sales Tax (GST/HST), as well as customs duties owing on their imports. 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.

For GST and customs duty payments for imported goods, deferral will include amounts owing for March, April and May.

SUPPORT FOR SECTORS

AGRICULTURE, AGRI-FOOD, AQUACULTURE, FISHERIES

Keeping workers in the food supply chain safe. The Government is providing \$50 million to help farmers, fish harvesters, and all food production and processing employers, put in place the measures necessary to follow the mandatory 14-day isolation period required for all workers arriving from abroad.

The Government will provide \$1,500 for each temporary foreign worker, to employers or those working with them to ensure isolation requirements are met fully. This funding is conditional on compliance with the mandatory isolation requirements.

Further, the Government has granted an exemption for temporary foreign workers from travel restrictions to Canada, along with other foreigners with student and work visas, provided they adhere to a strict 14-day isolation protocol upon arrival.

Increasing credit available. The Government will support Farm Credit Canada by allowing an additional \$5 billion in lending capacity to producers, and food processors. This credit will offer increased flexibility to farmers who face cash flow issues and to processors who are impacted by lost sales.

Assisting the fish and seafood processing sector. The Government is providing \$62.5 million to the fish and seafood processing sector through the Canadian Seafood Stabilization Fund. This fund will help businesses:

- Access short-term financing and pay for maintenance and inventory costs;
- Add storage capacity for unsold product;
- Comply with new health and safety measures for workers;
- Support new manufacturing / automated technologies to improve productivity and quality of finished seafood products; and,
- Adapt products to respond to changing requirements and new market demands.

CULTURAL, HERITAGE AND SPORTS

Addressing financial needs. The Government is establishing a \$500 million COVID-19 Emergency Support Fund for cultural, heritage and sport organizations.

Waiving payments for Part I licence fees. The Canadian Radio-television and Telecommunications Commission (CRTC) will not issue letters requesting payment for Part I licence fees by broadcasters for the 2020-21 fiscal year.

AIR TRANSPORTATION

Waiving ground lease rents. The Government will waive ground lease rents from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the Government.

TOURISM

Deferring payments on commercial leases and licenses of occupation. The Government will work with tourism operators in national parks, historic sites, and marine conservations to defer payments on commercial leases and licenses of occupation without interest until September 1, 2020.

ENERGY

Cleaning up orphan and inactive oil and gas wells. The Government is providing up to \$1.72 billion to the government of Alberta, Saskatchewan, and British Columbia, and to the Alberta Orphan Well Association, to clean up orphan and inactive oil and gas wells. This will help maintain approximately 5,200 jobs in Alberta alone.

Launching the Emissions Reduction Fund. The Government is providing up to \$750 million to create a new Emissions Reduction Fund to support workers and reduce emissions in Canada's oil and gas sector.

CRA ANNOUNCEMENTS

The CRA has announced additional supports to those above for taxpayers.

Collections². The CRA announced that “collections activities on new debts will be suspended until further notice, and flexible payment arrangements will be available”. The CRA notes that if a taxpayer is prevented from making a payment when it is due, filing a return on time, or otherwise complying with a tax obligation because of circumstances beyond their control, they can submit a request to cancel penalties and interest. To make a request to the CRA the taxpayer can use Form RC4288, Request for Taxpayer Relief.

Audits³. On March 18, 2020 the CRA announced that they would not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax Audits “for the next four weeks”. Also, the Charities Directorate has suspended all operations, including registration and audit activities, until further notice. However, the CRA has stated that, during the pandemic, it will continue “expediting urgent taxpayer’s requests for audit approval for refunds and credits: Taxpayer requested reassessments, Scientific and Experimental Development, Waivers, Clearance Certificates, Credits on account / refund returns”.⁴

² Coronavirus disease (COVID-19): Collections, audits, and appeals (CRA)

³ *Ibid*

⁴ Ryan Keey, COVID-19 Tax and Economic Relief Measures, Thomson Reuters, April 2, 2020

Objections and appeals⁵. The CRA has stated that:

Objections related to Canadians' entitlement to benefits and credits have been identified as a critical service and will continue to be delivered during COVID-19. There should not be any delays with the processing of these objections. For objections related to other tax matters filed by individuals and businesses, the CRA is currently holding these accounts in abeyance. No collection action will be taken with respect to these accounts at this time.

Additionally, the March 18, 2020 deadline for objections has been extended until June 30, 2020.

Tax Courts. The Tax Court of Canada has suspended all hearings and conference calls until May 29, 2020. The Court has additionally issued a Practice Direction and Order on April 17, 2020 stating that from March 16, 2020 to 60 days from the date the Court reopens, all timeline requirements provided for under the *Tax Court of Canada Rules and Tax Court of Canada Act* will stop running (this freeze does not apply to deadlines under the ITA). Further, appeals filed during this time will be treated as including Application for Extension of Time to Appeal. The Order also includes a requirement to provide certain responses to the Registry within 60 days of service that a Notice of Appeal was filed.

Signatures. As a temporary administrative measure, the CRA will recognize electronic signatures as having met the signature requirements in respect of Forms T183 and T183COPR.

As noted above, COVID-19 is evolving as an ongoing concern. For this reason, this document may not provide an exhaustive list of the federal Government measures in the days and weeks to come. Additional provincial measures are also available and are not reflected in this article.

*Please contact your McInnes Cooper lawyer or any member of our **McInnes Cooper Tax Team** to discuss this topic or any other legal issue.*

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⁵ *Ibid* (n 2)