



Canadian tax alert

Fiscal measures to support the economy

March 18, 2020

Over the past few days, the Government of Canada and certain provincial governments have introduced measures to support Canadians and stimulate the economy. We anticipate that more incentives to support businesses and individuals are to come, as Canada navigates through the evolving COVID-19 crisis. Our Tax and Legal team is closely monitoring all government announcements, and will provide regular updates on any Canadian government support available. Our Tax and Legal team will remain available to support you during this unprecedented and uncertain time.

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In this update, we highlight the recent announcements from the federal government, Quebec and Prince Edward Island governments.

FEDERAL MEASURES – March 18, 2020

The federal government announced a number of measures today to help stabilize the economy and provide support to Canadians. An additional \$82B (\$27B in direct support to people and businesses and \$55B through tax payment deferrals) in funding/support was provided, on top of the previously announced \$11B in measures (\$10B through the Export Development Canada (EDC) and Business Development Bank of Canada (BDC) Business Credit Availability Program and \$1B for healthcare). This brings the total committed federal government support to \$93B.

Canada U.S. border closed to non-essential travel

The Canada U.S. border will be closed to all tourism and non-essential travel, effective as soon as is practicable.

Travel for trade or commerce, including trucking will not be affected. Supply chains, which Prime Minister Trudeau described as essential for the health of the economy and cross-border trade, will be protected.

Support for businesses

- **Extended income tax payments**
 - Allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 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
- **New temporary business wage subsidy**
 - Provide eligible small businesses a 10% wage subsidy for the next 90 days, up to a maximum of \$1,375/employee and \$25,000/employer
 - Employers benefiting from this measure would include corporations eligible for the small business deduction, as well as NPOs and charities
 - This will help employers keep people on their payroll and help Canadians keep their jobs
 - Total funding ~\$3.8B
- **Launch Business Credit Availability Program**
 - Increase the credit available to small and medium Canadian businesses
 - As announced on March 13, 2020 the program will provide more than \$10B of additional support to businesses experiencing cash flow challenges through the BDC and EDC
- **Canada Account flexibility**
 - Provide flexibility on the Canada Account limit, to allow the federal government to provide additional support to Canadian businesses, when deemed to be in the national interest, to deal with exceptional circumstances

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- **Farm Credit Canada (FCC)**
 - Augment credit available to farmers and the agri-food sector through FCC
- **Launch Insured Mortgage Purchase Program**
 - To purchase up to \$50B of insured mortgage pools through the CMHC
 - As announced on March 16, 2020, this will provide stable funding to banks and mortgage lenders and support continued lending to Canadian businesses and consumers
 - CMHC stands ready to further support liquidity and the stability of the financial markets through its mortgage funding programs as necessary
 - The Government will enable these measures by raising CMHC's legislative limits to guarantee securities and insure mortgages by \$150B each

Support for individuals, families and workers

- **Extend tax filing deadline**
 - Extend the tax filing deadline for individuals to June 1, 2020 and allow all taxpayers to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 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
 - For trusts having a taxation year ending on December 31, 2019, the return filing due date will be deferred until May 1, 2020
- **Enhanced Canada Child Benefit (CCB)**
 - Additional assistance to families with children by temporarily boosting CCB payments
 - ~\$1.9B in total extra support
 - Increase the maximum annual Canada Child Benefit (CCB) payment amounts, only for the 2019-20 benefit year, by \$300 per child. The overall increase for families receiving CCB will be approximately \$550 on average; these families will receive an extra \$300 per child as part of their May payment.
- **Launch Emergency Care Benefit**
 - Up to \$900 bi-weekly for up to 15 weeks to provide income support to workers who must stay home and do not have access to paid sick leave. This is a new program available in April 2020.
 - This measure could provide up to \$10B to Canadians, and is aimed at:
 - Workers, including the self-employed, who are sick, quarantined, or who have been directed to self-isolate but do not qualify for EI sickness benefits
 - Workers, including the self-employed, who are taking care of a family member who is sick with COVID-19, such as an elderly parent or other dependent who is sick, but do not qualify for EI sickness benefits

- EI-eligible and non EI-eligible working parents who must stay home without pay because they have children who need care or supervision because of school closures
- **Launch Emergency Support Benefit**
 - Delivered through the CRA to provide up to \$5B in support to workers who are not eligible for EI and who are facing unemployment
 - More details to follow but it is expected that this program will target self-employed workers in particular. Effective in April 2020.
- **Increased GST Credit**
 - Provide additional assistance to individuals and families with low and modest incomes with a special top-up payment under the GST credit
 - On average, close to \$400 for single individuals and close to \$600 for couples will be provided, starting in May
 - This measure would inject \$5.5 billion into the economy
- **Improved access to EI**
 - Waive, for a minimum of six months, the mandatory one-week waiting period for EI sickness benefits for workers in imposed quarantine or who have been directed to self-isolate, as announced on March 11 and effective as of March 15, 2020
 - Waive the requirement for a medical certificate for quarantined workers to access EI sickness benefits
- **Deferred mortgage payments**
 - Provide increased flexibility to lenders to defer mortgage payments on homeowner government-insured mortgage loans for borrowers who may be experiencing financial difficulties related to the outbreak
 - Insurers will permit lenders to allow payment deferral beginning immediately
 - Up to six month payment deferral
- **Registered Retirement Income Funds (RRIFs)**
 - Reduce minimum withdrawals from RRIFs by 25% for 2020 to limit the impact on many seniors' retirement savings.
 - Total support ~\$495M
- **Canada student loan payment extension**
 - Implement a six month, interest-free, moratorium on Canada Student Loan payments for all individuals who are in the process of repaying these loans
 - Total funding ~\$190M
- **Indigenous Community Support Fund**
 - Provide \$305M for a new distinctions-based Indigenous Community Support Fund, to address immediate needs in First Nations, Inuit, and Métis Nation communities.
- **Women and domestic violence shelter funding**
 - Support women and children fleeing violence by providing up to \$50M to women's shelters and sexual assault centres to help with their capacity to manage or prevent an outbreak in their facilities

- This includes funding for facilities in Indigenous communities
- **Homeless shelters – Reaching Home program funding**
 - Provide an additional \$157.5M to address the needs of Canadians experiencing homelessness through the Reaching Home program

Previously announced measures

- **Changes to the Work Share Program**
 - Temporary special measures extend the maximum duration of Work-Sharing agreements from 38 weeks to 76 weeks across Canada for those businesses affected by the downturn in business due to COVID-19, ease eligibility requirements and streamlines the application process.
 - The Work-Sharing Program supports workers who agree with their employer to a reduction of normal working hours.

QUEBEC MEASURES – MARCH 17 and 18, 2020

Administrative extensions

The Quebec Minister of Finance announced that the province will harmonize with the federal government tax filing and tax payment extensions.

Temporary Aid for Workers Program (PATT COVID-19)

A new program (PATT COVID-19) offers financial assistance to meet the needs of workers who, because they are in isolation to counter the propagation of the COVID-19 virus, cannot earn all of their work income and are not eligible for another financial assistance program (e.g., compensation from employer, private insurance, and EI).

The PATT COVID-19 program covers workers who are in isolation for one of the following reasons:

- i. They have contracted the COVID-19 virus or present symptoms;
- ii. They have been in contact with an infected person; or
- iii. They have returned from abroad and are in self-isolation (as per the Québec government's requirement).

The PATT COVID-19 program intake opens March 19, 2020, and eligible applicants will be entitled for lump-sum payments of \$573/week, for a period of 14 days of isolation. If justified by an individual's state of health, the coverage period for an eligible person could be extended to a maximum of 28 days (i.e. \$2,292 in total).

PRINCE EDWARD ISLAND MEASURE- MARCH 16, 2020

Measures under development

PEI executive council committees for Economy and Business Supports, Labour and Social Support, and Government Operations are actively working to develop measures to address the economy and the community. The first step is

announcement of a new Emergency Contingency Fund. A highlight of measures currently being implemented include:

- Establishing a \$25 million COVID-19 Emergency Contingency Fund
- Establishing a toll-free number to assist employers in addressing their concerns and support needs
- Actively monitoring the supply chain impacts
- Exploring compensation plans for childcare staff
- Moving provincial government departments and agencies to essential services
- Cancelling all government initiated public consultation sessions

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