



# Update on tax measures: Canada's COVID-19 response plan

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On March 25, 2020, the Government of Canada released draft legislation<sup>1</sup> to put into place a variety of measures to help individual Canadians and businesses facing hardship as a result of the COVID-19 outbreak. Here's a quick summary of the major tax changes affecting individuals and small businesses.

## Tax payment and filing deadlines

The government announced extensions of the deadlines for filing personal and trust tax returns and paying balances owing.

### Individuals

You now have until June 1, 2020 to file your personal 2019 T1 Income Tax and Benefit Return, which is one month later than the usual April 30th deadline. Self-employed taxpayers (and their spouses or partners) still have until June 15, 2020 to file.

You now have until September 1, 2020 to pay any balance owing for your 2019 tax return, which is four months later than the usual April 30th deadline. This means you will not be assessed any penalties or interest if your balance due is paid by September 1, 2020.

If you expect to receive income-tested benefits, such as the Goods and Services Tax Credit (GSTC) or the Canada Child Benefit (CCB), it is recommended that you still file your tax return by April 30 to help ensure your benefits can be properly calculated in time for 2020-21 program payments that begin in July 2020.

If you are expecting a tax refund, it's also a good idea to file your tax return as soon as possible since the CRA will continue to process refunds throughout tax season.

### Trusts

The government also extended the deadline to file T3 Trust Income Tax Returns, along with T3 Information Slips, to May 1, 2020 for trusts with taxation years ending on December 31, 2019. This includes personal trusts and many mutual fund and other trusts that report investment income on T3 slips. If you had income from a trust in 2019, this may mean you need to wait up to a month longer than usual for your T3 slips to arrive.

### Tax instalments

Under the tax rules, quarterly tax instalments (due March 16, June 15, Sept. 15 and Dec. 15) are required for 2020 if your "net tax owing" this year will be more than \$3,000 (\$1,800 for Quebec tax filers) and was also greater than \$3,000 in either 2019 or 2018. The definition of net tax owing is effectively your net federal and

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<sup>1</sup> The draft legislation can be found on the Department of Finance website at: [fin.canada.ca/drleg-apl/2020/nwmm-amvm-0320-l-eng.html](https://www.fin.gc.ca/drleg-apl/2020/nwmm-amvm-0320-l-eng.html).

provincial taxes, less income tax withheld at source. If are you self-employed, your instalments must include any CPP contributions and voluntary EI premiums.

You now have until September 1, 2020 to pay your June 2020 quarterly personal tax instalments, and other instalments that would normally be due between March 18 and August 31, 2020. No interest or penalties will accumulate on these amounts during this period.

## **Temporary income support for workers and parents**

For Canadians without paid sick leave who are sick, quarantined or forced to stay home to care for children, the government introduced a variety of new measures.

### **Employment Insurance**

The first is waiving the one-week waiting period for those individuals in imposed quarantine that claim Employment Insurance (EI) sickness benefits, and waiving the requirement for a medical certificate for EI sickness benefits until September 30, 2020.

### **Canada Emergency Response Benefit<sup>2</sup>**

Secondly, the government is introducing the Canada Emergency Response Benefit (“CERB”), which will provide up to \$2,000 per month, for up to 16 weeks for workers who lose their income as a result of the COVID-19 pandemic. This flat-payment taxable benefit will provide income support to wage earners who do not qualify for EI benefits, including those who are self-employed or are contract workers. It will apply to workers who have lost their jobs, or are still employed, but are not being paid because of disruptions to their workplace. It will also be available to those 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 who are sick or at home because of school and daycare closures will also be eligible for the CERB. It will not, however, apply to those people who have voluntarily quit their jobs.

Workers can apply for the CERB for any four-week period beginning on March 15, 2020 and ending on October 3, 2020. The last date to apply for the benefit is December 2, 2020.

There will be co-ordination with the EI benefit system so that workers who have not yet applied for EI are eligible to receive CERB; however, those already receiving EI as of March 25, 2020 should not apply for the CERB, unless those benefits end prior to October 3, 2020. Workers can still access regular EI if they continue to be unemployed after the 16-week period for receiving the CERB.

A portal for CERB applications will be available in early April 2020, and it is anticipated that applicants will receive payments within ten days of application. Payments will be made every four weeks.

## **Special one-time payment**

The government announced a one-time special payment by early May 2020 through the GSTC, doubling the maximum annual GSTC payment amounts for the 2019-20 benefit year. The government has estimated an average boost to income for those benefitting from this measure will be approximately \$400 for single individuals and nearly \$600 for couples. This is estimated to benefit over 12 million low- and modest-income Canadian families.

## **Increased Canada Child Benefit payments**

The government is also increasing the maximum annual CCB payment amounts for the 2019-20 benefit year by \$300 per child. It estimates that the average increase for families receiving the CCB will be approximately

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<sup>2</sup> This benefit replaces the previously announced Emergency Care Benefit and the Emergency Support Benefit.

\$550 on average. These families would receive an extra \$300 per child as part of their May 2020 payment. It is estimated that over 3.5 million families with children will benefit.

## Student and apprentice loans

The government announced a six-month, interest-free moratorium on the repayment of Canada Student Loans and Apprentice Loans for all individuals currently in the process of repaying these loans. No interest will be added on these loans during the period beginning March 30, 2020 and ending on September 30, 2020.

## RRIF minimums

There is no minimum annual withdrawal required from your RRSP. By the end of the year you reach 71, you must either convert your RRSP to a RRIF to continue the tax deferral, de-register the RRSP and pay the resulting taxes, or purchase a registered annuity.

You must start taking minimum withdrawals from your RRIF in the year after the RRIF is established. Minimum withdrawals are calculated as a percentage of the fair market value of your RRIF assets at the beginning of the year, and the percentage is based on your age. Withdrawals from your RRSP or RRIF are taxable.

The government announced that for 2020, it is reducing required minimum withdrawals from RRIFs by 25% “in recognition of volatile market conditions and their impact on many seniors’ retirement savings.” This will provide needed flexibility to seniors that are concerned that they may be required to liquidate more of their RRIF assets than they need to meet the current legislated minimum withdrawal requirements.

## Small business owners

### Temporary wage subsidy

The government also announced a variety of measures to support small businesses that are facing revenue losses. To help prevent lay-offs, the government will provide eligible small employers a temporary wage subsidy for a period of three months. Employers benefitting from this include individuals (sole-proprietors), certain partnerships, certain Canadian-controlled private corporations, as well as non-profit organizations and charities.

Further information on this initiative can be found in our report, “[Temporary wage subsidy for employers: Canada’s COVID-19 response plan](#).”<sup>3</sup>

### Business income taxes

The CRA will allow all businesses to defer, until September 1, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief applies to tax balances due, as well as corporate income tax instalments. The government made it clear that no arrears interest or penalties will accumulate on these amounts during this period.

In addition, the CRA won’t be contacting any small or medium businesses to initiate any post assessment GST/HST or income tax audits for the next four weeks.

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<sup>3</sup> The report “Temporary wage subsidy for employers: Canada’s COVID-19 response plan” is available online at [cbc.com/content/dam/personal\\_banking/advice\\_centre/tax-savings/covid-wage-subsidy-en.pdf](https://www.cbc.com/content/dam/personal_banking/advice_centre/tax-savings/covid-wage-subsidy-en.pdf).

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