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PUBLICATION

Tax Update: Canadian Government Fiscal/Monetary Policy Response and Economic Outlook in the Wake of COVID-19

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The information contained in this article is current to March 22, 2020 and we will be providing updates as they become available.

In the past week, the global number of coronavirus cases doubled to more than 300,000. The Canadian economy has been rocked by a collapse in crude oil prices, almost $1 trillion has been wiped off the S&P/TSX, and approximately 500,000 Canadians, or 2.5% of the labour force, have filed for employment insurance ("EI"). The Loonie has dropped to 2016 lows, its value sitting at $0.6973 US at March 22, 2020 at 2:20 pm.

The Government of Canada (the "Government") has announced an economic stimulus package that will result in important tax consequences for taxpayers varying in size from multinational corporations to individuals. For corporations and professionals doing business in Ontario, please note that the Minister of Finance will release an economic and fiscal update, instead of a full budget, on March 25, 2020.

Fiscal/Monetary Policy Response

On March 18, the Government announced an $82bn economic stimulus package, the COVID-19 Economic Response Plan (ERP), equal to 3% of Canada's GDP. The stimulus package is composed of:

- $27bn in direct support to Canadian workers and businesses; and
- $55bn allotted to meet liquidity needs of all taxpayers, in the form of tax deferrals.

Direct Support for Businesses

In the ERP, the Government announced a number of direct support initiatives for businesses. These supports include:

- cutting the Bank of Canada's (Bank) policy interest rate by an additional 50 basis points, to 0.75% (effective March 16th, before the ERP was announced);
- the EI Work Sharing Program, which provides EI benefits to employees who agree to reduce their regular working hours;
- a Temporary Wage Subsidy for Employers of up to $1,375 per employee and $25,000 per employer— available to corporations eligible for the small business deduction, non-profit organizations, and charities (announced March 19, 2020);
- establishing the Business Credit Availability Program (BCAP), which will give the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) access to over $10bn in credit. Funding available through BCAP will largely target small and medium-sized businesses;
- lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets, via the Office of the Superintendent of Financial Institutions. This will provide banks with approximately $300bn of additional lending capacity; and
- launching the Insured Mortgage Purchase Program (IMPP), through which the Government will purchase up to $50bn of insured mortgage pools though the Canada Mortgage and Housing Corporation (CMHC).

Direct Support for Individuals

In addition to the support for businesses, the ERP contains a comprehensive package for individuals:

- placing a six-month interest-free moratorium on the repayment of student loans under the Canada Student Loans program;
- easing the minimum withdrawal amount from Registered Retirement Income Funds (RRIFs) by 25% for 2020;
- providing up to $50mm to women's shelters and sexual assault shelters;
- instituting a $305mm Indigenous Community Support Fund to address immediate needs in Metis Nation, Inuit, and First Nations communities;
- increasing the Canada Child Benefit (CCB) payment amounts by $300 per child for the 2019-2020 benefit year;
- CMHC, as mortgage insurer, is offering lenders tools to assist in payment deferral, loan re-amortization, and capitalization of outstanding interest arrears, among others. The Government has also negotiated support through Canada's big banks to allow for up to 6-month payment deferral on mortgages;
- offering a one-time payment by May 2020 via the Goods and Services Tax Credit (GSTC) for low- and modest-income families, for a total of approximately $5.5bn;
- waving the one-week waiting period for those in imposed quarantine and without paid sick leave that claim EI benefits (effective March 15, 2020);
- waving the requirement to provide a medical certificate to access EI benefits;
- supporting the Reaching Home initiative with a cash injection of $157.5mm in order to support people experiencing homelessness; and
- introducing the Emergency Care Benefit (ECB) that provides up to $900 bi-weekly, for up to 15 weeks, to be administered through the Canada Revenue Agency (CRA). The ECB will be available in April 2020 and applications are made through the CRA website.

Flexibility for Taxpayers – Businesses

In addition to the direct support announced under the ERP, the CRA has released a number of flexibility initiatives directed at easing the burden on businesses:

Tax Filing and Payment Deadline Extension

Taxpayer	Initial Filing Deadline	ERP-Modified Filing Deadline	ERP-modified Payment Deadline
Businesses	6 months after year-end	N/A	September 1, 2020*
Trusts (December 31, 2019 year-end)	March 31, 2020	May 1, 2020	September 1, 2020**
Charities (with a Form T3010)***	March 18, 2020 - December 31, 2020	December 31, 2020	N/A

* The deadline for businesses to pay any income tax amounts that become owing or due after March 18, 2020 and before September 1, 2020 has been extended to September 1, 2020. This means you will not be assessed any penalties or interest if your balance due is paid by September 1, 2020.

** All trusts that have an upcoming income tax balance due date or an income tax instalment payment due date before September 1, 2020, will have their payment due date effectively extended to September 1, 2020.

*** The Charities Directorate is extending the filing deadline to December 31, 2020, for all charities with a Form T3010, Registered Charity Information Return due between March 18, 2020 and December 31, 2020.

Further Considerations

- there has been no formal announcement towards extending the corporate or partnership filing deadlines;
- the CRA will recognize electronic signatures to authorization forms T183 and T183CORP;
- for the following four weeks, the CRA will not contact small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits; and
- a Liaison Officer Service has been instituted, available by phone, to offer help to small business owners in understanding their tax obligations.

Flexibility for taxpayers – Individuals

The CRA has also released a number of flexibility initiatives directed at easing the burden on individuals:

Taxpayer	Initial Filing Deadline	ERP-Modified Filing Deadline	ERP-modified Payment Deadline

Individuals	April 30, 2020	June 1, 2020	September 1, 2020*
Self-Employed Individuals *(and their spouse or common law partner)*	June 15, 2020	N/A	September 1, 2020

Further Considerations

- the CRA is adapting its Outreach Program, via webinar, to support individuals in understanding their tax obligations and to obtain benefits and credits to which they are entitled; and
- in consideration of the expected discontinuation of the Community Volunteer Income Tax Program, the CRA will be taking additional efforts to encourage individuals to file their tax and benefit returns online.

Other Provinces

As of March 23, 2020, the following provinces of Canada have instituted independent measures with regard to the ERP:

Québec

Revenu Québec has adopted the following flexibility measures for individuals and businesses in Quebec that will apply during this tax season:

Flexibility for taxpayers – Individuals

- deadline for filing has been postponed until June 1st, 2020;
- for self-employed individuals; the deadline to pay a balance due in relation to an income tax return for the 2019 year has been extended to July 31, 2020; and
- for individuals who make installment payments, the June 15, 2020 deposit is suspended until July 31, 2020, with details to be announced at a later date.

Flexibility for taxpayers – Businesses

- payments of installments and taxes that would be due as of March 17, 2020 are suspended until July 31, 2020, with details to be announced at a later date regarding the terms of payment.

Saskatchewan

- The provincial budget for the province was proposed to be released on March 18, 2020. Instead, the government opted to release only an expenditure statement, postponing the formal budget to a later, unannounced, date.

Economic Response Plan – Cost and Implementation

The chart below details an itemized list of the component parts of the ERP, reproduced in its entirety from the Government of Canada website.

Measure	2020-2021 Cost/Impact	Implementation

Emergency Care Benefit	Up to $10 billion	Early April *requires Royal Assent
Emergency Support Benefit	Up to $5 billion	Early April *requires Royal Assent
GST Credit	$5.5 billion	By Early May *requires Royal Assent
Enhanced Canada Child Benefit	$1.9 billion	May * requires Royal Assent
Temporary Business Wage Subsidy	$3.8 billion	Immediately Supporting legislation to follow
Canada Student Loan Payments	$190 million	Early April * requires Royal Assent
Support for people experiencing homelessness (through Reaching Home)	$305 million	April *requires Royal Assent
Support for people experiencing homelessness (through Reaching Home)	$157.5 million	April *requires Royal Assent
Support for women’s shelters and sexual assault centres including on reserve	$50 million	April *requires Royal Assent
Lower Registered Retirement Income Fund Minimum Withdrawal Amounts	$495 million	Immediately Supporting legislation to follow
Total	$27.4 billion	

Other Supports		
Flexibility for individual and corporate taxpayers (tax payment deferral until September)	$55 billion	Immediately
Business Credit Availability Program (BCAP) through BDC and EDC	$10 billion +	Immediately
Credit and liquidity support through financial Crown corporations, Bank of Canada, OSFI, CMHC and commercial lenders (e.g., Domestic Stability Buffer, Insured Mortgage Purchase Program, Banker's Acceptance Purchase Facility)	In the range of $500 billion	Immediately

Federal parliament will reconvene on Tuesday, March 24, 2020, with just enough MPs from each party to form a quorum, in order to adopt the ERP. The Senate will meet on Wednesday, March 25, 2020 to provide Royal Assent to pass the ERP with the result that the above funding will be available as soon as Royal Assent is received.

The author would like to acknowledge and thank articling student Antoine Killin for his contributions to this article.

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