



TaxNewsFlash Canada

Canada Temporarily Enhances EI Program as CERB Winds Up

August 21, 2020

No. 2020-69

Canadian individuals may benefit from new changes to extend the Canada Emergency Response Benefit (CERB) and to temporarily simplify the Employment Insurance (EI) program. The federal government announced on August 20, 2020 that it will extend the CERB by an additional four weeks and simplify the EI program to help eligible individuals transition from CERB to the EI system starting September 27, 2020.

Among other changes, the government will allow more individuals to qualify for EI by effectively lowering the insurable hours required to qualify and providing national minimum unemployment and benefit rates. In addition, the government is proposing new recovery benefits for eligible individuals who may not qualify for EI or are unable to fully return to work due to reasons related to COVID-19. The government says it will soon introduce legislation to enact these benefits. Parliament is currently scheduled to return on September 23, 2020.

Background

In response to COVID-19, Canada enacted fiscal and tax relief intended to support individuals and businesses. Among other measures, eligible individuals can receive \$2,000 under the CERB, for a four-week period within the period beginning March 15, 2020 and ending on October 3, 2020, for up to 24 weeks in total. These individuals may also earn up to \$1,000 in employment or self-employment income in each benefit period, while continuing to qualify for the CERB. For details, see *TaxNewsFlash-Canada* 2020-29, "[Federal COVID-19 Relief — More Details Released](#)" and *TaxNewsNow* "[Canada extends CERB through summer](#)".

CERB extension

The government announced that it will extend the CERB by an additional four weeks, providing a new maximum of up to 28 weeks of benefits. This extension is intended to help the government prepare to transition individuals who receive the CERB to the EI program, effective September 27, 2020.

Changes to the EI program

Hours credits

The government will allow more individuals to claim EI by providing a one-time insurable hours credit to EI claimants. This credit, which will effectively allow individuals to accumulate the required number of insurable hours to qualify for benefits, will consist of:

- 300 insurable hours for claims for regular benefits (i.e., job loss)
- 480 insurable hours for claims for special benefits (i.e., sickness, maternity/parental, compassionate care or family caregiver).

Effectively, with these credits, an individual only requires 120 insurable hours to access EI benefits. The credit will be available for new EI claims for one year and will also be retroactive to March 15, 2020 for claimants looking to transition early from the CERB to EI maternity, parental, compassionate care, family caregiver or work-sharing benefits, but that did not have sufficient hours. For these claimants, the qualifying period will also be extended.

Minimum EI unemployment rate

The government will effectively lower the hours required to qualify for EI regular benefits by providing that a minimum unemployment rate of 13.1% applies to all economic regions. This measure is effective for one year starting on August 9, 2020.

As a result, the government will set a uniform eligibility requirement for EI regular benefits at 420 hours of insurable employment (before the hours credit is applied), provide a minimum entitlement of 26 weeks of regular benefits, and calculate the weekly benefit rate based on an individual's 14 best weeks of earnings. Usually, these factors are determined by a region's unemployment rate.

Minimum benefit rate

The government will provide a minimum EI benefit rate of \$400 per week (or \$240 for extended parental benefits) for new EI claimants as of September 27, 2020. Usually, an individual's EI benefit rate is based on their average weekly earnings before their EI claim.

EI fishing benefits

The government will allow self-employed fish harvesters to temporarily calculate EI fishing benefits using either their actual fishing earnings for their current claim, or their fishing earnings from their claim for the same season from the previous year, whichever is higher.

El premium rate freeze

The government will freeze the EI premium rate for employees at the 2020 level of \$1.58 per \$100 of insurable earnings for two years. The rate for employers will also remain at \$2.21 per \$100 of insurable earnings (i.e., 1.4 times the employee rate).

El transition

The government advises that eligible individuals receiving benefits through Service Canada will be transitioned to the EI program once they have received their maximum CERB benefits. Additionally, eligible individuals currently receiving the CERB from the CRA must apply for EI through Service Canada after September 26, 2020.

New recovery benefits

Canada Recovery Benefit

Individuals who are not eligible for EI, including the self-employed and those working in the gig economy, may qualify for the new Canada Recovery Benefit. This taxable benefit, which is effective for one year starting September 27, 2020, provides \$400 per week for up to 26 weeks and will be available to Canadian residents who:

- Are at least 15 years old and have a valid Social Insurance Number,
- Have stopped working due to the COVID-19 pandemic and are available and looking for work; or are working and have had a reduction in their employment/self-employment income due to COVID-19
- Are not eligible for Employment Insurance;
- Earned employment and/or self-employment income of at least \$5,000 in 2019 or in 2020, and
- Have not quit their job voluntarily.

Individuals will have to apply for every two-week period and attest that they meet the requirements. Although claimants will be able to earn income while receiving the benefit, they will have to repay some or all of the benefit through their income tax return if their annual net income, excluding the benefit, is more than \$38,000. Claimants will be required to repay \$0.50 of the benefit for each dollar of their annual net income above the \$38,000 limit in the calendar year to a maximum of the amount of benefit they received.

Canada Recovery Sickness Benefit

Individuals who are unable to work because they are sick or must self-isolate due to COVID-19 may qualify for the new Canada Recovery Sickness Benefit. This taxable benefit, which is effective for one year starting September 27, 2020, provides \$500 per week for up to two weeks and will be available to:

- Canadian residents who are at least 15 years of age and have a valid Social Insurance Number
- Workers employed or self-employed at the time of the application, and
- Workers who earned at least \$5,000 in 2019 or in 2020.

To be eligible, workers would need to miss at least 60% of their scheduled work in the week that they claim the benefit, and cannot receive other paid sick leave for the same benefit period. Workers would not be required to have a medical certificate to qualify for the benefit, and would have to apply each week and attest that they meet the requirements.

Canada Recovery Caregiving Benefit

Individuals who are unable to work because they need to provide care to children or other dependents may qualify for the new Canada Recovery Caregiving Benefit. This taxable benefit, which is effective for one year starting September 27, 2020, provides \$500 per week for up to 26 weeks and will be available to Canadian residents who:

- Are at least 15 years of age on the first day of the period for which they apply for the benefit
- Have a valid Social Insurance Number
- Are employed or self-employed on the day immediately preceding the period for which the application is made
- Earned at least \$5,000 in 2019 or in 2020
- Have been unable to work for at least 60% of their normally scheduled work within a given week because:
 - They must take care of a child who under 12 years of age on the first day of the period for which the benefit is claimed for certain reasons related to the COVID-19 pandemic, or
 - They must provide care to a family member with a disability or a dependent for certain reasons related to the COVID-19 pandemic
- Do not receive paid leave from an employer in respect of the same week

- Do not receive certain kinds of government support for the same week, including the CERB, EI benefits or any other of the new recovery benefits.

Workers would have to apply after the period in which they are seeking income support and attest that they meet the requirements. Two members residing in the same household cannot both receive the benefit for the same period.

Application process

Individuals will be able to apply for the Canada Recovery Benefits through the CRA. The CRA is expected to provide more details on the application process soon.

Stay connected on the latest COVID-19 developments

We continue to watch tax and legal issues related to the evolving COVID-19 situation and will provide further information as it becomes available. For the latest developments, see our dedicated COVID-19 site, [The Business Implications of Coronavirus](#).

We can help

Your KPMG advisor can help you assess how COVID-19 may affect your tax obligations. We can also keep you abreast of any tax-related changes related to COVID-19 that you'll need to consider in the days and weeks ahead.

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