Federal COVID-19 Relief — More Details Released

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Canadian individuals and businesses should review new details of the federal government's COVID-19 relief plan now that it has passed these measures into law. These new rules provide additional information on financial measures that were recently announced, including a temporary wage subsidy to help small businesses retain employees and the Canada Emergency Response Benefit that offers financial support to affected individuals.

As Canadians cope with disruptions caused by COVID-19, they may want to determine whether they may benefit from these new support measures. In particular, these changes may help certain businesses improve cash flow or retain their employees during this uncertain time. Canada tabled emergency legislation to implement these measures, and advised that it will consider additional tax or economic changes as needed. Note that some recent announcements related to COVID-19, such as changes to tax filing and payment deadlines, are administered by the CRA and are therefore not addressed by these new rules.

**Background**
Canada announced on March 11, 2020 that, among other considerations, it would allow businesses to make flexible arrangements with the CRA in meeting payment obligations where they face difficulties related to COVID-19. In addition, Canada proposed changes to allow workers in quarantine or who are directed to self-isolate, to receive Employment Insurance (EI) sickness benefits earlier. The government said it would waive the one-week waiting period for those individuals in imposed quarantine that claim EI sickness benefits. This temporary measure is in effect as of March 15, 2020. For details, see...
In a follow-up announcement, the government said on March 13, 2020 that it would introduce measures to support the Canadian economy, including making additional credit available to businesses struggling to deal with the effects of the virus. For details, see TaxNewsFlash-Canada 2020-12, “Fiscal Relief on the Way Following COVID-19 Concerns”.

Canada also said it would provide a temporary wage subsidy to help small businesses retain employees and an Emergency Care Benefit to offer financial support to affected individuals on March 18, 2020. The CRA further announced that it would delay tax filing deadlines for individuals to June 1, 2020 and for trusts to May 1, 2020. In addition, all taxpayers that owe income tax balances and income tax instalments under Part I of the Income Tax Act on or after March 18, 2020 and before September 2020 will now have until September 1, 2020 to remit these amounts. For details, see TaxNewsFlash-Canada 2020-14, “COVID-19 — Tax Deadline Delay and More Relief Announced”.

Businesses measures

Temporary wage subsidy for small businesses

Certain employers may be eligible for a temporary wage subsidy to support businesses that are facing revenue losses and to help prevent lay-offs. This temporary three-month taxable subsidy is equal to 10% of remuneration paid from March 18, 2020 to June 19, 2020, up to a maximum subsidy of $1,375 per employee and $25,000 per employer. Associated corporations will not be required to share the maximum subsidy of $25,000 per employer.

To qualify for the subsidy, an employer must be a Canadian-controlled private corporation (CCPC) that would have a business limit for its last taxation year that ended before the start of the eligible period (without taking into account the grind to the limit for adjusted aggregate investment income). Other employers that qualify for the subsidy include individuals (other than trusts) and partnerships, as well as registered charities and non-profit organizations. The measure applies for partnerships, all of the members of which are CCPCs, individuals (other than a trust), registered charities or another partnership that meets these conditions. In addition, the employer must have an existing business number and payroll program account with the CRA as of March 18, 2020, and pay salary, wages, bonuses, or other remuneration to an employee.

Companies will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees’ remuneration. Employers must calculate the amount of the subsidy.
KPMG observations

As noted, this new measure now allows individuals and certain partnerships to claim the subsidy. This is a welcome change from the previous announcement of this subsidy, in which it appeared these employers would not qualify.

Note that an employer cannot use this subsidy to reduce its remittance of Canada Pension Plan contributions or Employment Insurance premiums. Employers can reduce their current remittance of federal, provincial, or territorial income tax which they send to the CRA by the amount of the subsidy.

As this subsidy is taxable, an employer must report the total amount of subsidy received as income in the year in which the subsidy is received. An employer should retain certain information to support its subsidy calculation, including:

- The total remuneration paid during the period beginning on March 18, 2020 and ending on June 19, 2020
- The federal, provincial, or territorial income tax that was deducted from that remuneration
- The number of employees paid in that period.

Although the new legislation does not include specific amounts or rates for this measure, Finance’s supporting documents specified that the measure would apply as described above.


Individual measures

Canada Emergency Response Benefit

The government has enacted the Canada Emergency Response Benefit, which provides eligible workers with an income support payment for any four-week period within the period beginning March 15, 2020 and ending on October 3, 2020, for up to 16 weeks in total. Finance’s supporting documents indicated that this amount will be $2,000. This measure, which is reportedly intended to replace the recently announced Emergency Support Benefit and the Emergency Care Benefit, is included in the new Canada Emergency Response Benefit Act.

Generally, to qualify for this support, a worker must:

- Be a Canadian-resident individual who is at least 15 years old and in 2019 (or within 12 months before they apply for income support), has a total income of at least $5,000
from employment or self-employment, certain EI benefits or benefits paid to an individual under a provincial plan because of pregnancy, care of their newborn children or adoption

- Cease working for reasons related to COVID-19 for at least 14 consecutive days within the four-week period for which they make an income support application

- Not receive any employment income, self-employment income, EI benefits or benefits paid under a provincial plan because of pregnancy, care of their newborn children or adoption, or any other prescribed income, during those 14 consecutive days

- Not have voluntarily terminated their employment.

The government has provided that these income support payments are not subject to any bankruptcy or insolvency laws, they cannot be assigned or given as security, they cannot be retained by way of deduction or set-off under any other Act and are not garnishable for certain family law orders.

Eligible workers will be able to apply for this benefit via an online portal that is expected to be available in early April 2020. Applications will be accepted until December 2, 2020.

KPMG observations
This measure also allows the government to adjust certain time periods, amounts and definitions by adjusting legislative regulations as needed.

RRIFs — Reduced withdrawal minimums

The government has reduced the minimum required annual withdrawal payments from Registered Retirement Income Funds (RRIFs) by 25% in the 2020 taxation year, as previously announced. This reduction also applies to the minimum amount under the money purchase provisions of Registered Pension Plans.

Enhanced GST credit payments

The government also provided more details on its one-time enhancement to the goods and services tax (GST) credit for certain individuals, as previously announced. The additional credit, which is expected to be paid in May 2020, effectively doubles the original GST credit available to the individual for the 2019-2020 benefit year. Eligibility for the new additional tax credit is based on the individual’s adjusted income for the 2018 taxation year.

Generally, an eligible individual with an adjusted income of up to $37,789 for the 2018 taxation year may be able to claim an additional GST credit of up to $290 for themselves, $290 for an eligible spouse and $153 for an eligible child. Single individuals without children may qualify for a total additional credit of up to $443 depending on their income.
Similar to the original GST credit, the additional credit is gradually reduced for individuals with income over this threshold.

**Other measures**

The government also enacted legislation for other previously announced changes, including new rules to:

- Enact a six-month suspension on the payment of interest and principal on Canada student loans from March 30, 2020 to September 30, 2020
- Temporarily increase the Child Care Benefit up to $300 per child for May 2020
- Provide that a medical certificate is not required to access EI sickness benefits until September 30, 2020
- Increase the near-term credit available to farmers and the agri-food sector through Farm Credit Canada by providing up to $3.75 billion in additional funding

**KPMG observations**

In addition to these new support changes, Canada has announced that it wants to hear from business that can supply products and services in support of Canada’s response to COVID-19. Specifically, the government is requesting medical and prevention supplies, and various support services.

The new legislative changes did not provide additional information on certain announcements related to COVID-19, including Employment Insurance changes and additional support available through the Work-Sharing program, which provides EI benefits for eligible employees during certain temporary reductions in business activity.

**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.

**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.

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