



Canadian tax alert

COVID-19 – More support measures announced

March 27, 2020

COVID-19 continues to have a profound effect on Canadians. The federal and provincial governments continue to respond by adding and enhancing measures to support individuals and businesses facing hardship. Our Tax and Legal team is closely monitoring all government announcements and will remain available to support you during this unprecedented and uncertain time.

In this update, we highlight recent announcements from the federal government and the governments of British Columbia, Quebec and New Brunswick.

Contacts:

Philippe Bélair

Tax & Legal Leader
Tel: 514-393-7045

Albert Baker

National Tax Policy Leader
Tel: 416-643-8753

Atlantic Region

Katie Rogers

Tel: 506-663-6728

Of particular note today was the increase in the federal wage subsidy from 10% to 75%. Readers may recall that nearly two weeks ago, the federal government unveiled the 10% wage subsidy as a central plank of Canada's emergency economic response to COVID-19. Since then, over 60 business groups across the country have called on the federal government to change course. Today's announcement that the subsidy has increased to 75% is a reflection of this imperative.

Deloitte's Future of Canada Centre suggests that businesses had cited the initial prioritization of a new post-employment tool, the new Canada Emergency Response Benefit (CERB), as opposed to a higher wage subsidy up-front to prevent people losing their jobs in the first place, as a policy that needed to be reconsidered.

In the past days, officials in Ottawa have also absorbed the scope of the economic shock, with nearly one million Canadians filing for Employment Insurance (EI) last week alone, an all-time record. In addition, officials now expect nearly four million Canadians will apply for the CERB when it begins accepting applications on April 6, 2020. As discussed in our last tax alert, that new benefit will pay \$2,000 a month to workers who have lost income because of the COVID-19 pandemic, even as the existing EI program is struggling to cope with the surge in applications.

Combined with the actions of other major economies such as the United Kingdom and Denmark, each of which announced a wage subsidy above 70%, it has become increasingly clear in the past 48 hours that the federal government was examining enhancing support for business, with the Prime Minister promising that "we will have more to say in the coming days" on this specific topic during his press conference on March 25, 2020. Today's announcement that the subsidy has increased from 10% to 75% fulfills that commitment.

FEDERAL MEASURES – March 27, 2020

- **Changes to wage subsidy for small and medium sized business (SMEs)**
 - The wage subsidy for SMEs previously announced on March 18, 2020 is being increased from 10% to 75%, for qualifying businesses.
 - This increased subsidy will be retroactive to March 15, 2020.
 - The government is expecting to release more details on this subsidy in the coming days.
- **Establishment of the Canada Emergency Business Account (CEBA)**
 - The CEBA represents a \$25B program in which the government will guarantee bank loans up to \$40,000 interest-free for the first year for small businesses and non-profit organizations.
 - To qualify, these organizations will be required to demonstrate that they paid between \$50,000 to \$1 million in total payroll in 2019. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000).
 - Organizations should contact their financial institutions to apply for these loans.
 - The government is expecting to release more details in the coming days.

Quebec & Ottawa

Patrick Bilodeau
Tel: 613-751-5447

Mohamed Sheibani

Tel: 613-751-5320

Ontario

Gary Gluckman
Tel: 416-601-6029

Prairies

Markus Navikenas
Tel: 403-267-1859

British Columbia

David Mueller
Tel: 604-673-2661

Related links:

[Deloitte Tax Services](#)

- **New EDC loan guarantee for SMEs**
 - The EDC will guarantee new operating credit and cash flow term loans that financial institutions extend to SMEs, up to \$6.25M.
 - The new loan program will have a total cap of \$20B for the export sector and domestic companies.

- **New BDC co-lending program for SMEs**
 - This program will bring together the BDC and financial institutions to co-lend term loans to SMEs.
 - Eligible businesses may receive incremental credit amounts up to \$6.25M. The BDC's portion of this program is capped at \$5M per loan. Eligible financial institutions will interface with loan applicants and conduct the underwriting. The program's potential for lending will be \$20B.

- **GST/HST remittance deferral**
 - The government has extended time to remit collected amounts for GST/HST until June 30, 2020. This applies to:
 - Monthly filers that are required to remit for the February, March and April 2020 reporting periods
 - Quarterly filers that are required to remit for the January 1, 2020 through March 31, 2020 reporting period
 - Annual filers, whose GST/HST returns or instalments are due in March, April or May 2020, for amounts collected and owing for their previous fiscal year and instalments of GST/HST in respect of the current fiscal year.

- **Deferral of customs duty and sales tax for importers**
 - Payments deadlines related to GST and customs duties on imports for statements of accounts for March, April and May are now deferred to June 30, 2020.

- **Lowering of overnight rate to 0.25%**
 - The Bank of Canada lowered its target for the overnight rate by 50 basis points, to 0.25%. The bank rate is correspondingly 0.50% and the deposit rate is 0.25%.

- **New debt buying programs by the Bank of Canada**
 - The Commercial Paper Purchase Program will restore short-term funding for businesses.
 - The Bank of Canada will also begin acquiring federal government securities and bonds in the secondary market at a minimum of \$5B/week.

- **New COVID-19 Challenges Procurement Program**
 - The National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP) and Innovation Solutions Canada (ISC) will post procurement-based challenges provided by the Public Health Agency of Canada and Health Canada to correspond to the needs of the health care industry to tackle COVID-19. The applicable federal department or agency will purchase the product from successful applicants.
 - SMEs may apply to the posted challenges. Two phases of funding are available: 1) proof of concept, and 2) prototype development. Details on funding amounts to be awarded per challenge are still to come.

- **New Pandemic Response Challenge Program**
 - The NRC has received \$15M to form teams to address the greatest R&D needs to fight COVID-19. The program will fund projects around 1) rapid detection and diagnosis, 2) therapeutics and vaccine development, and 3) digital health.
 - The NRC is looking for researchers from Canadian and international universities, government departments, colleges and highly innovative firms with relevant expertise to register their interest to work on these challenges.
 - Funding will help cover research costs. Specific R&D challenges will be posted in the coming weeks.

- **New biomanufacturing capacity at NRC Human Health Therapeutics Research Centre**
 - The NRC's biomanufacturing facility will receive a \$15M investment to fund certification of the facilities to produce material for humans, particularly vaccines and therapeutics.

- **Administrative measures**
 - The Canada Revenue Agency announced a number of deadline extensions, as noted below in an excerpt from the Minister of Finance's press release today.

Excerpt from Department of Finance document:

Canada Revenue Agency's Additional Measures for Individuals and Businesses

The Canada Revenue Agency (CRA) understands that individuals and businesses might be dealing with difficulties filing their income and benefit returns, and could experience cash-flow challenges in the coming months. In response, the CRA will be applying these additional measures:

Administrative tax measures

In addition to the income tax filing and payment deadline extensions, unless otherwise noted, administrative income tax actions required of taxpayers by the CRA that are due after March 18, 2020, can be deferred to June 1, 2020. These administrative income tax actions include returns, elections, designations and information requests. Payroll deductions payments and all related activities are excluded.

Trusts, Partnerships and NR4 Information Returns

The deadlines for trusts, partnership and NR4 information returns are all extended to May 1, 2020. This is due to administrative requirements in advance of the June 1, 2020 deadline for filing individual income tax and benefit returns.

Objections

Any objections related to Canadians' entitlement to benefits and credits have been identified as a critical service and will continue to be processed during the COVID-19 crisis. As a result, there should not be any delays associated with the processing of these objections.

With respect to objections related to other tax matters filed by individuals and businesses, the CRA is currently holding these accounts in abeyance.

No collection action will be taken with respect to these accounts during this period of time.

Extending the deadline for filing an objection

For any objection request due March 18 or later, the deadline is effectively extended until June 30, 2020.

Canada Pension Plan/Employment Insurance (CPP/EI) appeals to the Minister

In cases where taxpayers wish to file an appeal in relation to CPP/EI rulings decision, they are encouraged to do so through MyAccount to avoid potential delays.

The CPP/EI appeals program is currently only actioning appeals that are related to cases where EI benefits are pending. These cases will be treated on a priority basis. All other appeals will be actioned when normal services resume.

In addition, the CPP/EI Appeals to the Minister program will exercise discretion on a case-by-case basis when additional time is required to respond to a request.

Deadlines for charities

CRA 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. This will allow charities more time to complete and submit their T3010.

Suspending audit activities

CRA will not initiate contact with taxpayers for audits, with certain exceptions, This includes:

- no new audits being launched, and
- no requests for information related to existing audits.
- No audits should be finalized and no reassessments should be issued.

Suspending collections on new debt

Collections activities on new debts will be suspended until further notice, and flexible payment arrangements will be available.

Payment arrangements are also available on a case-by-case basis if you can't pay your taxes, child and family benefit overpayments, Canada Student Loans, or other government program overpayments in full.

If you have concerns and require contact with a Collections Officer, please contact our toll free number 1-800-675-6184 between 8:00 a.m. and 4:00 p.m. your local time.

Requirement to pay (RTP)

Banks and employers do not need to comply or remit on existing RTPs during this time.

Taxpayer relief requests

Taxpayers who are unable to file a return or make a payment by the tax-filing and payment deadlines because of COVID-19 can request the

cancellation of penalty and interest charged to their account. Penalties and interest will not be charged if the new deadlines that the government has announced to tax-filing and payments are met. For more information about deadlines, see [Helping Canadians with the economic impact of the COVID-19 Pandemic](#).

For more information about taxpayer relief and how to make a request to the CRA to have interest and/or penalties cancelled, please go to Canada.ca/taxpayer-relief.

For more information, visit [Helping Canadians with the economic impact of the COVID-19 Pandemic](#).

FEDERAL MEASURES – March 16-19, 2020

- **Measures concerning the importation of goods**
 - Certain actions have been taken to modify and/or expedite requirements in order to promote access to imported COVID-19 medical and related products, and to allow for the importation of drugs and medical devices not otherwise authorized for sale in Canada to prevent shortages of therapeutic products, such as personal protective equipment or drugs required to treat COVID-19.

- **Customs Notice 20-08 - imported goods for emergency use in response to COVID-19**
 - This notice provides for the relief of duty and tax on the importation of goods required for an emergency by or on behalf of federal, provincial or municipal entities involved, such as health care centres, as well as by or on behalf of members of first response organizations. Relief is granted for certain goods that will be exported from Canada when they are no longer required unless consumed or destroyed in the emergency.

- **Customs Notice 20-09 - changes in requesting an extension to the 90-day period to submit corrections**
 - Effective March 18, 2020, where a CBSA trade compliance verification was performed and resulted in the need to file/submit corrections of errors that were found, the 90-day period for submitting such corrections has been extended by an additional 30 days.

- **Customs Notice 20-10 - waiver of late accounting penalties (COVID-19)**
 - The application of late accounting penalties applied against importers when they do not submit the required accounting declarations within specified timeframes (generally within five business days following release). will be delayed for a 45 business days grace period for transactions released from March 11, 2020 to May 14, 2020 (inclusively); no special application is required for this late accounting penalties waiver.

- **Customs Notice 20-11 - extension of timeframes for payment of customs duties and GST (COVID-19)**
 - The due date for payments owing to the CBSA is extended to June 30, 2020. This extension applies to customs duties and GST on regular

imports, reassessments, penalties, etc. In effect, the payment deadlines for amounts owing on a Statement of Account for March, April and May of 2020 are being deferred to June 30, 2020.

BRITISH COLUMBIA MEASURES – March 25, 2020

- **Support for landlords and tenants**
 - The province is suspending evictions and freezing rent increases until the COVID-19 crisis passes. Measures include:
 - Tenants who have lost jobs and/or wages will be eligible for a monthly rebate of \$500 for three months, to be paid directly to landlords.
 - There will be a ban on evictions (some extraordinary exceptions apply).
 - Annual rent increases are frozen during the state of emergency.

QUEBEC MEASURES – March 27, 2020

- **Alignment with the federal government**
 - The Quebec government is aligning with the federal government in order to allow businesses to defer filing returns and making payments for their QST remittances for March 31, April 30 and May 31, until June 30, 2020.
 - No interest or penalties will be applicable to these remittances.
- **Accelerating treatment of business tax credit and tax refund applications**
 - The government announced that the treatment of business tax credits and tax refund applications will be accelerated.

NEW BRUNSWICK MEASURES – March 24-26, 2020

March 24, 2020

- **Deferring payments on existing loans**
 - As an immediate measure, and on a case-by-case basis, the government will defer loan and interest repayments for up to six months on existing provincial loans with a Government of New Brunswick department. The deferral can be requested by contacting the department that issued the loan.
- **Working capital for small business**
 - The government will provide working capital loans up to \$200,000 to help companies respond to challenges associated with COVID-19.
 - Opportunities New Brunswick (ONB) will work with a trusted partner to administer the application process.
- **Working capital for mid-to-large employers**
 - ONB will also provide working capital loans in excess of \$200,000 for mid-to-large sized employers.
 - Large employers will be able to apply for this assistance directly from ONB.

March 26, 2020

- **New income support bridge program for workers**
 - \$4.5M for a bridge program will provide a one-time \$900 benefit to workers and self-employed individuals who have lost their jobs

due to the province's state of emergency over COVID-19. The benefit will be administered through the Red Cross to bridge the time before April 6, 2020 when individuals will receive federal benefits.

For more information on COVID-19, see our [Canadian COVID-19 information hub](#) and our [global COVID-19 information hub](#)

Deloitte LLP
Bay Adelaide Centre, East Tower
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada

This publication is produced by Deloitte LLP as an information service to clients and friends of the firm, and is not intended to substitute for competent professional advice. No action should be initiated without consulting your professional advisors. Your use of this document is at your own risk.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals—14,000 of whom are part of the Canadian firm—make an impact that matters, please connect with us on LinkedIn, Twitter or Facebook.

Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Please note that Deloitte is prepared to provide accessible formats and communication supports upon request.

© Deloitte LLP and affiliated entities.