

As the COVID-19 situation continues to impact many businesses, business owners and employees throughout the country, RSP LLP is here to support your accounting, tax, advisory and business consulting needs through this period.

This special issue of the RSP Newsletter is intended to help our clients and friends navigate the evolving business and tax relief measures.

Information provided in this newsletter is current as of **December 11, 2020**, and will continue to be updated as new announcements are made.

We hope that all of you will stay safe and healthy, and we look forward to seeing you soon.

1. INCOME TAX MEASURES

a) Tax filing deadlines and payment due dates:

Taxpayer	Tax Filing Deadline and Payment Due Date
<p>Individuals</p>	<p>Deadline to file the 2019 T1 Income Tax and Benefit Returns is extended to June 1, 2020.</p> <p>Individuals who operated a sole proprietorship with a December 31, 2018 year end and who had a SR&ED reporting deadline of June 15, 2020 have until December 15, 2020 to file their SR&ED returns.</p> <p>Payment due date for 2019 income tax balances due is extended to September 30, 2020. This extension also applies to the June 15, 2020 and September 15, 2020 instalments. No late filing penalties or interest will apply if the 2019 tax return is filed and balances owing are paid by September 30, 2020.</p>
<p>Self-employed individuals (and their spouses or common-law partners)</p>	<p>Deadline to file the 2019 T1 Income Tax and Benefit Return is unchanged (June 15, 2020).</p> <p>Payment due date for 2019 income tax balances due on or after March 18, 2020 is extended to September 30, 2020. This extension also applies to income tax instalments due on or after March 18, 2020. No late filing penalties or interest will apply if the 2019 tax return is filed and balances owing are paid by September 30, 2020.</p>

<p>Corporations</p>	<p>Deadline to file the T2 Corporation Income Tax Return due after March 18, 2020 and before May 31, 2020 is extended to June 1, 2020. Returns due on May 31, or in June, July or August 2020 are due September 30, 2020.</p> <p>Corporations with a tax year end from September 13, 2018 to June 29, 2019 have a six month extension to their normal SR&ED filing deadline. This effectively extends all SR&ED filing deadlines after March 13, 2020 by six months, up to a final deadline of December 31, 2020.</p> <p>Payment due date for income tax balances due on or after March 18, 2020 is extended to September 30, 2020. This extension also applies to income tax instalments.</p>
<p>Trusts</p>	<p>Deadline to file the T3 Trust Income Tax and Information Return is extended to May 1, 2020 for trusts with a taxation year end of December 31, 2019, and to June 1, 2020 for trusts that would otherwise have a filing due date in April or May 2020.</p> <p>Payment due date for income tax balances due on or after March 18, 2020 is extended to September 30, 2020. This extension also applies to income tax instalments.</p>
<p>Partnerships</p>	<p>The deadline to file T5013 Partnership Information Return is extended to May 1, 2020.</p>
<p>Charities</p>	<p>The deadline to file T3010 Registered Charity Information Return due between March 18, 2020 and December 31, 2020 is extended to December 31, 2020.</p>
<p>Non-residents</p>	<p>Deadline to file the 2019 tax return electing under Section 216 and Section 217 are extended to September 1, 2020.</p> <p>Payment due date for 2019 income tax balances due is extended to September 1, 2020. No late filing penalties or interest will apply if the 2019 tax return is filed and balances owing are paid by September 30, 2020. This extension also applies to individuals who have filed a NR6 form.</p>

- b) **Time Limit on Assessments:** The time limit on CRA’s ability to make an assessment, reassessment or additional assessment under the *Income Tax Act*, which would have expired on or after **May 20, 2020**, has been extended for six months up to a maximum extension of **December 31, 2020**.

- c) **Notice of Objection:** The deadline to file a Notice of Objection is the later of:
- One year after the tax filing deadline for the return; or
 - 90 days from the date of the notice of assessment.

If this deadline has passed, the taxpayer may request for an extension of time to file a Notice of Objection **within one year** after the original expiration date. Any such request to CRA for an extension of time to file a Notice of Objection that would have expired on or after **March 13, 2020** has been extended for six months, up to the maximum extension of **December 31, 2020**.

- d) **Collections:** CRA has suspended collections activities on new debts until further notice, and made flexible payment arrangements available for certain matters. Banks and employers do not need to comply or remit on existing Requirement To Pay (RTP) Notices during this time.

2. GST/HST MEASURES

- a) **Time Limit on Assessments:** The time limit on CRA's ability to make an assessment or reassessment under the *Excise Tax Act*, which would have expired on or after **May 20, 2020**, has been extended for six months up to a maximum extension of **December 31, 2020**.
- b) **GST/HST Notice of Objection:** The deadline to file a Notice of Objection is 90 days from the date of the notice of assessment.

If this deadline has passed, the taxpayer may request for an extension of time to file a Notice of Objection **within one year** after the original expiration date. Any such request to CRA for an extension of time to file a Notice of Objection that would have expired on or after **March 13, 2020** has been extended for six months, up to the maximum extension of **December 31, 2020**.

- c) **Tax filings:** The extension of a due date for payment does not grant relief from the requirement to file GST/HST returns. **GST/HST returns must be filed on time** even if payment is deferred.
- d) **Additional Case-by-Case Deferrals:** Businesses that continue to experience difficulty in remitting GST/HST payments and customs duties owing can contact CRA to request cancellation of penalties and interest and/or flexible payment arrangements.

3. SUPPORT FOR BUSINESSES

- a) **Canada Emergency Wage Subsidy (CEWS):** The CEWS is a wage subsidy to eligible employers providing a benefit calculated as a percentage of the eligible remuneration paid to the employee, up to the maximum eligible remuneration of \$1,129 per week. It can be claimed retroactively for any remuneration paid after March 15 up to the deadline for application. There is no limit to the amount of subsidy that can be claimed.

On November 19, the government extended the CEWS program to June 30, 2021. Details of the program for period 11 and onwards starting December 20, 2020 will be announced in the future.

Eligible employers will be able to apply for this subsidy through My Business Account on CRA's website, through an authorized representative's Represent a Client account, or through a web-based application.

The deadline for application is the later of **January 31, 2021** and **180 days** after the end of the qualifying CEWS period.

Eligible employers for CEWS:

- Must be private sector entities, including:
 - Individuals,
 - Trusts,
 - Taxable corporations,
 - Non-profit organizations,
 - Registered charities, and
 - Partnerships owned 50% or more by a combination of the above.
- For periods 1 to 4, eligibility is determined based on an all-or-nothing approach. The employer must have a drop in arm's length revenue (excluding extraordinary items and capital items), calculated on either the cash or accrual basis, of at least 15% in March and 30% for April, May or June when compared to the reference period.
- For periods 5 to 9, eligibility is determined based on a gradual claw-back approach. The subsidy amount is scaled to each employer based on revenue decline and is calculated differently for active employees and furloughed employees.

Eligible employees for CEWS:

- Are employed primarily in Canada by the eligible employer in the claim period; and
- Are not without remuneration from the eligible employer for 14 or more consecutive days in the claim period (this requirement is removed in period 5 and onwards).

See Table 2 for details on the claim period, required reduction in revenue, and reference period for periods 1 to 4. See Table 3 and 4 for details on period 5 to 9. Eligibility and calculation of the wage subsidy past period 10 will be announced in the near future.

CEWS Periods 1 to 4 (March 15, 2020 to July 4, 2020)

Table 2: Reference Periods 1 to 4

	Claim Period	Required Reduction in arm's length revenue	Reference Period
Period 1	March 15, 2020 to April 11, 2020	15%	March 2020 over: <ul style="list-style-type: none"> • March 2019 or • Average of January and February 2020
Period 2	April 12, 2020 to May 9, 2020	30%	Eligible for Period 1 OR April 2020 over: <ul style="list-style-type: none"> • April 2019 or • Average of January and February 2020
Period 3	May 10, 2020 to June 6, 2020	30%	Eligible for Period 2 OR May 2020 over: <ul style="list-style-type: none"> • May 2019 or • Average of January and February 2020

Period 4	June 7, 2020 to July 4, 2020	30%	Eligible for Period 3 OR June 2020 over: <ul style="list-style-type: none"> • June 2019 • Average of January and February 2020
-----------------	------------------------------	-----	---

Amount of the subsidy is the greater of:

- 75% of the eligible remuneration paid, up to a maximum of \$847 per week; and
- the amount of eligible remuneration paid, up to a maximum of \$847 per week or 75% of the employee’s pre-crisis earnings, whichever is less.

Pre-crisis earnings is based on the average weekly remuneration paid between either:

- January 1, 2020 and March 15, 2020 inclusively, excluding any seven-day periods in which the employee did not receive remuneration; or
- March 1, 2019 and May 31, 2019 inclusively, excluding any seven-day periods in which the employee did not receive remuneration.

An eligible employer who qualifies for the wage subsidy in a period **automatically qualifies** for the wage subsidy in the *subsequent* period. For example:

- An employer who meets the 15% revenue reduction test in March 2020 automatically qualifies for the CEWS in April 2020 as well.
- To claim the CEWS in May 2020, the employer must meet the 30% revenue reduction test in April 2020 or May 2020.

CEWS Periods 5 to 10 (July 5, 2020 to December 19, 2020)

Beginning Period 5, the wage subsidy amount is calculated based on a hybrid approach, as the sum of a base subsidy amount plus a top-up. The base subsidy amount is available to all employers who experience a decline in monthly revenues and varies depending on the amount of the decline. The top-up subsidy amount is available to all employers who experience a decline of more than 50% in three-month average revenues, and cap at a 70% revenue decline. See Table 4 for details on the reference periods.

The eligible remuneration will also be solely based on actual remuneration paid, without reference to the “pre-crisis earnings” calculation used in periods 1 to 4.

The “pre-crisis earnings” calculation for periods 5 and onwards is only be used for non-arm’s length employees, and is based on the average weekly remuneration paid between either:

- January 1, 2020 and March 15, 2020 inclusively, excluding any seven-day periods in which the employee did not receive remuneration; or
- July 1, 2019 and December 31, 2019 inclusively, excluding any seven-day periods in which the employee did not receive remuneration.

If an eligible employee was on leave due to maternity, paternal, caregiver, or long-term sickness beginning before July 1, 2019 and ending after March 15, 2020, the employer may elect to use the 90-day period prior to the employee’s leave as the baseline remuneration for the employee.

Table 3: Calculation of Subsidy for Periods 5 to 10 (Active Employees)

Period	Claim period	Maximum weekly benefit	CEWS Rate (%)	
			If one-month revenue drop is:	
			50% or more	Less than 50%
Period 5*	July 5, 2020 to Aug 1, 2020	Base \$677	Base (A) = 60%	Base (B) = 1.2x revenue drop
		Top-up \$282	Top-up (C) = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy drop % - 50%)	
		Total \$960	A + C (85% max)	B + C
Period 6*	Aug 2, 2020 to Aug 29, 2020	Base \$677	A = 60%	B = 1.2x revenue drop
		Top-up \$282	C = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy drop % - 50%)	
		Total \$960	A + C (85% max)	B + C
Period 7	Aug 30, 2020 to Sept 26, 2020	Base \$565	A = 50%	B = 1.0x revenue drop
		Top-up \$282	C = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy drop % - 50%)	
		Total \$847	A + C (75% max)	B + C
Period 8	Sept 27, 2020 to Oct 24, 2020	Base \$452	A = 40%	B = 0.8x revenue drop
		Top-up \$282	C = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy revenue drop % - 50%)	
		Total \$734	A + C (65% max)	B + C
Period 9	Oct 25, 2020 to Nov 21, 2020	Base \$452	A = 40%	B = 0.8x revenue drop
		Top-up \$282	C = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy revenue drop % - 50%)	
		Total \$734	A + C (65% max)	B + C
Period 10	Nov 22, 2020 to Dec 19, 2020	Base \$452	A = 40%	B = 0.8x revenue drop
		Top-up \$282	C = Lesser of (i) 25%, and (ii) 1.25 x (Top-up subsidy revenue drop % - 50%)	
		Total \$734	A + C (65% max)	B + C

Note (*): A safe harbour rule allows employers to apply the eligibility and wage subsidy calculation method for periods 1 to 4 to periods 5 and 6 if it would result in a greater subsidy amount.

Table 4: Reference Periods 5 to 10 (Active Employees)

Period	Claim period	Reference periods for revenue drop test	
		Base Subsidy – one-month revenue drop	Top-Up Subsidy – 3-month revenue drop
Period 5	July 5, 2020 to Aug 1, 2020	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • June 2020 revenue over June 2019 revenue • July 2020 revenue over July 2019 revenue <p>B) Greater of June 2020 or July 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A) or B):</p> <p>A) April to June 2020 average monthly revenue over April to June 2019 average monthly revenue</p> <p>B) April to June 2020 average monthly revenue over January and February 2020 average monthly revenue</p>
Period 6	Aug 2, 2020 to Aug 29, 2020	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • July 2020 revenue over July 2019 revenue • August 2020 revenue over August 2019 revenue <p>B) Greater of July 2020 or August 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A) or B):</p> <p>A) May to July 2020 average monthly revenue over May to July 2019 average monthly revenue</p> <p>B) May to July 2020 average monthly revenue over January and February 2020 average monthly revenue</p>
Period 7	Aug 30, 2020 to Sept 26, 2020	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • August 2020 revenue over August 2019 revenue • September 2020 revenue over September 2019 revenue <p>B) Greater of August 2020 or September 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A) or B):</p> <p>A) June to August 2020 average monthly revenue over June to August 2019 average monthly revenue</p> <p>B) June to August 2020 average monthly revenue over January and February 2020 average monthly revenue</p>

<p>Period 8</p>	<p>Sept 27, 2020 to Oct 24, 2020</p>	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • September 2020 revenue over September 2019 revenue • October 2020 revenue over October 2019 revenue <p>B) Greater of September 2020 or October 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A), B) or C):</p> <p>A) July to September 2020 average monthly revenue over July to September 2019 average monthly revenue</p> <p>B) July to September 2020 average monthly revenue over January and February 2020 average monthly revenue</p> <p>C) Base Subsidy revenue drop</p>
<p>Period 9</p>	<p>Oct 25, 2020 to Nov 21, 2020</p>	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • October 2020 revenue over October 2019 revenue • November 2020 revenue over November 2019 revenue <p>B) Greater of October 2020 or November 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A), B) or C):</p> <p>A) August to October 2020 average monthly revenue over August to October 2019 average monthly revenue</p> <p>B) August to October 2020 average monthly revenue over January and February 2020 average monthly revenue</p> <p>C) Base Subsidy revenue drop</p>
<p>Period 10</p>	<p>Nov 22, 2020 to Dec 19, 2020</p>	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • November 2020 revenue over November 2019 revenue • December 2020 revenue over December 2019 revenue <p>B) Greater of November 2020 or December 2020 revenue over average of January and February 2020 revenues</p>	<p>Either A), B) or C):</p> <p>A) September to November 2020 average monthly revenue over September to November 2019 average monthly revenue</p> <p>B) September to November 2020 average monthly revenue over January and February 2020 average monthly revenue</p> <p>C) Base Subsidy revenue drop</p>

Furloughed Employees: refers to employees on leave with pay. Starting in period 5, the CEWS is available to employers who qualify for the Base subsidy or the Top-up subsidy.

- CEWS amounts for period 5 to 8 are determined based on the CEWS rules for periods 1 to 4.
- CEWS amounts for period 9 and onwards will be adjusted to align with benefits provided through CERB and/or EI.

Applicable to all periods

Elections for Revenue Calculation: Once chosen, the reference period for eligibility must be applied consistently throughout periods 1 to 4. For periods 5 to 9, the employer may choose a different reference period. For example:

- If an employer claims the CEWS for period 1 based on a 15% drop in revenues in March 2020 compared to March 2019, eligibility for periods 3 and 4 must be based on a 30% drop in revenue in May and June 2020 compared to May and June 2019.
- For period 5 beginning July 5, 2020 and ending August 1, 2020, the employer may elect to compare July 2020's revenue to the average monthly revenue in January and February 2020 for the purpose of determining the drop in revenue. Once chosen, the drop in revenue for periods 6 to 9 must also be compared to the average monthly revenue in January and February 2020.

The method chosen for revenue calculation (cash or accrual) must be applied consistently throughout the wage subsidy period.

Employees Working for Multiple Companies: An employee's eligible remuneration is limited to \$1,129 per week total for employees who split their time between multiple companies within a group. Employees in this situation are treated as if they are paid by one employer to prevent the wage subsidy from being multiplied by paying employees through multiple companies.

Employees Hired through a Payroll Service Provider: Employers who hire individuals in Canada through a payroll service provider who had a business number registered with the CRA as of March 15, 2020 and who used the business number to make payroll remittances on behalf of that employer are eligible for the CEWS. This change is effective as of April 11, 2020.

Non-Arm's Length Employees: The subsidy is restricted for employees who do not deal at arm's length with the employer to the lesser of eligible remuneration paid between March 15 and June 6, 2020, up to the maximum wage subsidy for that period or 75% of the employee's pre-crisis earnings.

Non-Arm's Length Revenue: Generally, non-arm's length revenue is excluded from the revenue drop test. However, eligible employers who earn over 90% of their revenue from non-arm's length persons or partnerships may jointly elect with the non-arm's length persons or partnerships. Under this calculation, the eligible employer's revenue for the prior reference period is deemed to be \$100, and the revenue for the current reference period is deemed to be:

\$100(A/B)(C/D),

- Where **A** is the eligible employer's revenue earned from a particular persons or partnership;
- **B** is the total of all amounts attributable to non-arm's length persons or partnerships;
- **C** is the person or partnership's revenue in the current reference period; and
- **D** is the person or partnership's revenue in the prior reference period.

This effectively takes a weighted average calculation of all income attributable to non-arm's length persons and partnerships to determine if the weighted average of all non-arm's length revenues meets the revenue reduction test.

Affiliated Groups: Revenue can be determined on a separate entity basis or on an affiliated group basis. In general, entities in an affiliated group are commonly controlled by individuals and their spouses. This requires a joint election between each member of the affiliated group to calculate qualifying revenue on that basis. Once the affiliated group is determined to have met the revenue reduction test, all members of the group may qualify for the CEWS.

Non-Profits Organizations and Registered Charities: Non-profit organizations and registered charities may choose to include or exclude revenue from government sources as part of the calculations. This choice must be applied consistently throughout the program period once chosen.

Refund for Certain Payroll Contributions: An additional 100% refund is provided for employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance plan. This refund covers 100% of employer-paid contributions to the above programs for eligible employees who are:

- Remunerated for the week;
- Do not perform any work for the employer in that week; and
- Eligible for CEWS claims by the employer for the week.

This refund is not subject to the maximum weekly benefit of \$847 that an eligible employer may claim under the CEWS. Employers would continue to collect and remit employer and employee contributions to the programs and apply for a refund at the same time as they apply for the CEWS.

Asset Sales: Eligible entities who acquired assets during the CEWS period or prior to the period may include the qualifying revenue of the seller reasonably attributable to the acquired assets in the calculation of revenue in the current reference period or the prior reference period, as the case may be. This allows entities who recently acquired business assets or incorporated a business to qualify for the CEWS based on the revenue of the seller or unincorporated business. However, the following conditions must be met:

- Immediately prior to the acquisition, the fair market value of the acquired assets constituted all or substantially all of the fair market value of the property of the seller used in carrying on the business;
- The acquired assets were used by the seller in the course of carrying on a business in Canada;
- It is reasonable to conclude that the transaction was not to increase the CEWS amount; and
- The purchaser and the seller (if still in existence) file a joint election for that period.

Furthermore, if this provision is used, the revenue calculation for the purchaser and the seller will be changed as follows:

- The revenue attributable to the acquired assets will be subtracted from the revenue of the seller for the prior or current reference period, for the qualifying period.
- If a portion of the revenue was from a person or partnership who did not deal at arm's length with the seller, and the person or partnership deals at arm's length with the purchaser, the revenue will be deemed to be arm's length revenue to the purchaser.
- If the seller had a payroll account on March 15, 2020 or administered its payroll through a payroll service provider, the purchaser will also be deemed to have met this requirement for wage subsidy purposes even if the purchaser's payroll account was established after March 15, 2020.

- b) **Canada Emergency Rent Subsidy (CERS):** This is a rent subsidy provided to tenants or landlords with a business number on September 27, 2020, calculated as a percentage of qualifying rent expense in respect of a qualifying property for the period. Qualifying rent expense is limited to \$75,000 per period per qualifying property and \$300,000 for the affiliated group. To qualify, the rent must have been paid under a written agreement entered into before October 9, 2020. The deadline for applying is 180 days after the end of the qualifying period and can be applied for through My Business Account or Represent a Client.

Eligible entities for the CERS are the same as the CEWS (see above).

Qualifying Rent Expense is calculated as:

- Rent for use of qualifying property, including:
 - Gross rent;
 - Regular instalment of operating expenses such as insurance, utilities and common area fees normally charged to the tenant;
 - Property taxes; and
 - Regular instalment of other amounts payable, including services ancillary to the rent.
- In the case of qualifying property owned by the eligible entity that is not used by the entity primarily to earn rental income, or is used primarily to earn rental income from a non-arm's length person or partnership:
 - Interest on mortgages on the qualifying property, to the extent that the mortgage principal does not exceed the lowest principal amount on the qualifying property at any time after it was acquired or the cost of the qualifying property;
 - Insurance on the qualifying property;
 - Property and similar taxes on the qualifying property.
- Less any amounts received or receivable in respect of the qualifying period for rent for use of the property.

A qualifying property means real or immovable property in Canada used in the course of its ordinary activities, other than a domestic establishment and any space that can be reasonably regarded to be contributing to the use or enjoyment of the property as a residence. This increases the scrutiny on home office or property that is used for both business and personal purposes.

The CERS is calculated based on a hybrid approach, similar to CEWS. A base subsidy portion is calculated based on the current or prior period revenue drop. If the tenant or landlord was subject to a "public health restriction" and experienced any drop in revenue in the current or prior period, a further top-up subsidy is available, calculated as 25% for the period prorated by the number of days in the qualifying period that the entity was subject to a public health restriction.

A public health restriction is defined as an order that:

- Is made under the law of Canada or a province;
- Is made in response to the COVID-19 pandemic;
- Is limited in scope based on factors such as geographical boundaries, type of business activity, or risks associated with that location;
- As a result of the order, some of all of the activity of the eligible entity in connection with the qualifying property are required to cease ("restricted activities");
- It is reasonable to conclude that 25% of the qualifying revenues of the eligible entity in the prior reference period earned in connection with the property were derived from the restricted activities; and

- The restricted activities are required to cease for at least one week.

Qualifying revenues for the purpose of the CERS revenue drop calculation are the same as the CEWS. This means the elections made under the CEWS programs also apply to the CERS. In particular, the reference period selected for the CERS Base Rent Subsidy must be the same reference period election made for periods 5 and onwards for the CEWS. An attestation form is required to be signed by the individual principally responsible for the entity's financial activities attesting to the elections made and the entity qualifies for the CERS.

Table 5: CERS Periods 1 to 3

Period	Claim period	Maximum monthly benefit	CERS Rate (%)		
			If one-month revenue drop is:		
			70% or more	50% to 70%	Less than 50%
Period 1 to 3	Sept 27, 2020 to Oct 24, 2020	Base \$48,750	A = 65%	B = 40% + (revenue drop – 50%) x 1.25	C = 0.8x revenue drop
	Oct 25, 2020 to Nov 21, 2020	Top-up \$18,750	D = 25% x Number of days the qualifying property is subject to a public health restriction / Number of days in the qualifying period		
	Nov 22, 2020 to Dec 19, 2020	Total \$67,500	A + D (90% max)	B + D	C + D

Table 6: Reference Periods 1 to 3

Period	Claim period	Reference periods for revenue drop test	
		Base Rent Subsidy – one-month revenue drop	Top-Up Rent Subsidy – Public Health Restriction
Period 1	Sept 27, 2020 to Oct 24, 2020	Either A) or B): A) Greater of: <ul style="list-style-type: none"> • September 2020 revenue over September 2019 revenue • October 2020 revenue over October 2019 revenue B) Greater of September 2020 or October 2020 revenue over average of January and February 2020 revenues	In the claim period, the entity was subject to a public health restriction and was eligible for the base rent subsidy.

Period 2	Oct 25, 2020 to Nov 21, 2020	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • October 2020 revenue over October 2019 revenue • November 2020 revenue over November 2019 revenue <p>B) Greater of October 2020 or November 2020 revenue over average of January and February 2020 revenues</p>	In the claim period, the entity was subject to a public health restriction and was eligible for the base rent subsidy.
Period 3	Nov 22, 2020 to Dec 19, 2020	<p>Either A) or B):</p> <p>A) Greater of:</p> <ul style="list-style-type: none"> • November 2020 revenue over November 2019 revenue • December 2020 revenue over December 2019 revenue <p>B) Greater of November 2020 or December 2020 revenue over average of January and February 2020 revenues</p>	In the claim period, the entity was subject to a public health restriction and was eligible for the base rent subsidy.

The top-up rent subsidy is not subject to the \$300,000 limit that must be shared between the affiliated group applying for the CERS. However, qualifying rent expense for top-up rent subsidy purposes is still limited to \$75,000 per period per property.

- c) **Canada Emergency Business Account (CEBA) loans:** The new CEBA provides interest-free loans of up to \$60,000 to small businesses and not-for-profit organizations. To qualify, these organizations must qualify for the loan under the payroll stream or the non-deferrable expense stream. To qualify under the payroll stream, applicants must demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019, and contact their financial institution to apply for these loans.

Applicants with payroll lower than \$20,000 would need to apply through the non-deferrable expense stream, and have the following:

- A business operating account at a participating financial institution;
- A Canada Revenue Agency business number;
- A tax return filed for 2018 or 2019; and
- Eligible non-deferrable expenses in 2020 of between \$40,000 and \$1.5 million.

Eligible non-deferrable categories include:

- Wages or other employment expenses (adjusted by any CEWS and TWS claimed)
- Rent or lease payments (adjusted by any CECRA or CERS claimed)
- Payments for insurance related costs
- Payments for property taxes
- Payments for business use of telephone and utilities
- Payments for regularly scheduled debt service
- Payments incurred under agreements with independent contractors and fees required to maintain licenses, authorizations or permissions necessary to conduct business
- Payments incurred for materials consumed to produce product offered for sale

On December 4, 2020, the government announced an expansion to the CEBA program, which enabled businesses and not-for-profits who were eligible for the original \$40,000 CEBA loan access to an additional interest-free loan of \$20,000, of which \$10,000 of this additional amount will be forgiven. This increased the CEBA loan from the original maximum of \$40,000 up to the current maximum of \$60,000 and increased the forgivable amount from \$10,000 to \$20,000. Applicants who have already repaid the original CEBA loan may still apply for the \$20,000 expansion by contacting their financial institution.

As of October 26, 2020, eligible Canadian businesses currently operating through a personal bank account will also be able to apply for the CEBA loan.

Repaying the balance of the loan other than the potential amount of debt forgiveness on or before December 31, 2022 will result in loan forgiveness of the remaining balance (up to a maximum of \$20,000). Any amount of the loan outstanding after December 31, 2022 will be converted to a three-year term loan at 5% interest. Only interest payments will be required until the full principal is due on December 31, 2025.

The amount to be forgiven is based on a blended rate:

- 25% on the first \$40,000; plus
- 50% on the amounts above \$40,000 and up to \$60,000.

However, whether the outstanding balance is forgiven is determined in a single tranche and the outstanding balance cannot be partially forgiven. For example, if \$60,000 is borrowed, no amount will be forgiven unless \$40,000 is repaid by December 31, 2022.

- d) **Loan guarantee:** For small and medium-sized enterprises, new operating credit and cash flow term loans extended by financial institutions will be guaranteed, up to a maximum of \$6.25 million.
- e) **Co-lending program:** The Business Development Bank of Canada will work with financial institutions to co-lend term loans to eligible small and medium-sized enterprises. This will increase the amount of the loan that financial institutions will offer to eligible businesses.

4. SUPPORT FOR INDIVIDUALS

- a) **Employment Insurance (EI):** As of March 15, 2020, the one-week waiting period for EI sickness benefits is waived for those individuals in imposed quarantine. The requirement to provide a medical certificate to access EI sickness benefits is waived.

Beginning September 27, 2020, an updated EI program was implemented with the following changes:

- EI claimants will receive a one-time insurable hours credit of 300 hours for regular benefits and 480 hours for special benefits. This allows individuals with 120 hours of insurable work to qualify for EI benefits and will be made retroactive to March 15, 2020.
- EI benefits will be provided at a minimum of \$400 per week, or \$240 per week for extended parental benefits.
- A minimum of 26 weeks of regular benefits will be provided.

The EI credit will be available for new EI claims for one year, in recognition that the labour market conditions remain uncertain and will take time to stabilize.

EI premiums will also be frozen at 2020 rates for two years.

- b) **Canada Recovery Benefit (CRB):** A taxable benefit of \$1,000 every 2 weeks will be provided to employed and self-employed individuals whose employment or self-employment are affected by COVID-19 and are not entitled to EI benefits.

If the situation continues past 2 weeks, the individual will need to apply again. Individuals can apply up to a total of 13 eligibility periods (26 weeks) between September 27, 2020 and September 25, 2021.

To be eligible, the individual must meet **all** of the following conditions for the 2-week period :

- Was not employed or self-employed for reasons related to COVID-19, *or* had a 50% reduction in average weekly income compared to the previous year due to COVID-19;
- Did not apply for, or receive, the Canada Recovery Sickness Benefit (see (c) below), Canada Recovery Caregiving Benefit (see (d) below), short-term disability benefits, workers' compensation benefits or EI benefits;
- Was not eligible for EI benefits;
- Is resident and present in Canada;
- Has a valid SIN;
- Earned at least \$5,000 in 2019, 2020, or in the 12 months before the application date from any of the following sources:
 - Employment income (total or gross pay),
 - Net self-employment income (after deducting expenses),
 - Non-eligible dividends, or
 - EI maternity and parental benefits
- Did not quit their job or reduced hours voluntarily on or after September 27, 2020, unless it was reasonable to do so;
- Was seeking work during the period, either as an employee or in self-employment; and
- Did not turn down reasonable work during the 2-week period applied for.

Applicants must apply for the benefit no later than 60 days after the end of the two-week period to qualify and will be required to attest to the fact that they have met the eligibility requirements above.

Penalties may be applied if the applicant has not met all of the conditions and was in receipt of the CRB. If reasonable work was refused, the applicant will lose 5 periods (10 weeks) of the CRB eligibility periods as a penalty. The applicant must also wait 5 periods before re-applying.

Amounts received under this benefit are taxable and a 10% withholding tax will be applied at source.

Claimants with over \$38,000 of annual net income reported on their 2020 tax return will need to repay \$0.50 of the benefit for each dollar of their annual income above \$38,000. Income for the purposes of this calculation does not include CRB payments, Registered Disability Savings Plan payments, gain on sale of property surrendered because of a failure to pay a debtor, or deductions from income due to TOSI treatment. This amount will be calculated on filing of the 2020 income tax return and repayable together with any income tax balances owing.

- c) **Canada Recovery Sickness Benefit (CRSB):** A taxable benefit of \$500 for a 1-week period will be provided to employed and self-employed individuals who are unable to work because they are sick or must self-isolate for reasons related to COVID-19, or have an underlying health condition that puts them at greater risk of getting COVID-19.

If the situation continues past 1 week, the individual will need to apply again. Individuals can apply up to a total of 2 weeks between September 27, 2020 and September 25, 2021.

To be eligible, the individual must meet **all** of the following conditions for the 1-week period:

- Was unable to work at least 50% of the scheduled work week because of self-isolation for one of the following reasons:
 - Is sick with COVID-19 or may have COVID-19,
 - Has been advised by an employer, medical practitioner, the government or a public health authority to self-isolate due to COVID-19, or
 - Has been advised by a medical practitioner to stay at home due to an underlying health condition that puts the individual at greater risk of getting COVID-19;
- Did not apply for, or receive, the Canada Recovery Benefit (see (b) above), Canada Recovery Caregiving Benefit (see (d) below), short-term disability benefits, workers' compensation benefits or EI benefits;
- Is resident and present in Canada;
- Has a valid SIN;
- Earned at least \$5,000 in 2019, 2020, or in the 12 months before the application date from any of the following sources:
 - Employment income (total or gross pay),
 - Net self-employment income (after deducting expenses),
 - Non-eligible dividends, or
 - EI maternity and parental benefits; and
- Did not receive paid leave from the employer for the same period.

Applicants must apply for the benefit no later than 60 days after the end of the one-week period to qualify. Applicants will be required to attest to the fact that they have met the eligibility requirements above.

Amounts received under this benefit are taxable and a 10% withholding tax will be applied at source.

- d) Canada Recovery Caregiving Benefit (CRCB):** A taxable benefit of \$500 for a 1-week period will be provided to employed and self-employed individuals who are unable to work because they must care for their child under 12 years old or a family member who needs supervised care. (This applies if their school, regular program or facility is closed or unavailable to them due to COVID-19, or because they are sick, self-isolating, or at risk of serious health complications due to COVID-19.)

This benefit is limited to one per household, which includes a group of people who live together as a family unit at the same address.

If the situation continues past 1 week, the individual will need to apply again. Individuals can apply up to a total of 26 weeks between September 27, 2020 and September 25, 2021.

To be eligible, the individual must meet **all** of the following conditions for the 1-week period:

- Was unable to work at least 50% of the scheduled work week because the individual is caring for a family member;
- Is caring for a child under 12 years old or a family member who needs supervised care because they are at home for one of the following reasons:
 - Their school, daycare, day program, or care facility is closed or unavailable to them due to COVID-19,
 - Their regular care services are unavailable due to COVID-19, or
 - The person being cared for is:
 - Sick with COVID-19 or has symptoms of COVID-19,
 - At risk of serious health complications if they get COVID-19, as advised by a medical professional, or
 - Self-isolating due to COVID-19.
- Did not apply for, or receive, the Canada Recovery Benefit (see (c) above), Canada Recovery Sickness Benefit (see (d) above), short-term disability benefits, workers' compensation benefits or EI benefits;
- Is resident and present in Canada;
- Is at least 15 years old;
- Has a valid SIN;
- Earned at least \$5,000 in 2019, 2020, or in the 12 months before the application date from any of the following sources:
 - Employment income (total or gross pay),
 - Net self-employment income (after deducting expenses), or
 - EI maternity and parental benefits;
- Is the only person in the household applying for the benefit for the week; and
- Did not receive paid leave from the employer for the same period.

The definition of “family member” in respect of a person includes anyone whom the person considers to be a close relative or who considers the person to be like a close relative.

Applicants must apply for the benefit no later than 60 days after the end of the one-week period to qualify. Applicants will also be required to attest to the fact that they have met the eligibility requirements above.

Amounts received under this benefit are taxable and a 10% withholding tax will be applied at source.

- e) **Reduced Registered Retirement Income Fund (RRIF) Withdrawals:** The required minimum withdrawals from RRIFs has been reduced by 25% for 2020.
- f) **Mortgage Support:** Canadian banks have committed to working with their customers on a case-by-case to find solutions caused by financial hardship. This includes providing homeowners with up to six months of deferred mortgage payments (principal and interest) for impacted borrowers.

5. ONTARIO COVID-19 MEASURES

- a) **Doubling of the Employer Health Tax (EHT) Exemption:** Private-sector employers with a total annual Ontario remuneration of less than \$5 million are eligible for an EHT exemption on up to \$490,000 of their payroll in 2020. The Ontario government has proposed to permanently raise the EHT exemption from \$490,000 to **\$1 million**. This provides EHT relief of up to \$9,945 per eligible employer. In addition, the instalment threshold is proposed to double from \$600,000 to **\$1.2 million** starting with the 2021 tax year.
- b) **Regional Opportunities Investment Tax Credit:** A 10% refundable income tax credit will be granted to Canadian-controlled private corporations that make qualifying investments that becomes available for use on or after March 25, 2020 in specified regions of Ontario.
 - Qualifying investments generally includes buildings and related expenditures for constructing, renovating, and acquiring the buildings.
 - The tax credit is available for expenditures exceeding \$50,000, up to a limit of \$500,000.
 - Specified regions of Ontario means regions *outside* of the Greater Golden Horseshoe and Ottawa.
- c) **Postponing Property Tax Reassessments:** The planned property tax reassessment in 2020 for the 2021 year has been postponed. Property tax for 2021 will continue to be based on the same valuation date that was in effect for 2020.

We are happy to answer any of your questions through our website contact page.

<https://rsp.ca/contact-us>

RSP LLP's On Target is a periodic commentary on current tax issues and developments. **On Target** is distributed to our clients and to other interested parties. Technical matters are presented in a generalized fashion. The information contained herein should not be acted upon without professional advice. **This newsletter is for your personal use only and may not be reproduced nor distributed.** For additional information, please contact the person who has the responsibility of serving you.

Appendix

The below COVID-related measures were previously announced, and are no longer current as of this issue of OnTarget. The details of each measure will no longer be updated and are maintained for reference purposes.

Waiver of Interest on Existing Income Tax Debt: Interest on existing tax debt related to individual, corporate and trust income tax accounts will be waived from **April 1, 2020 to September 30, 2020**. This did not cancel any penalties or interest already assessed, but ensured the tax debt does not grow through interest charges during this time.

GST/HST payments: The due date for GST/HST payments or remittances due after March 27, 2020 and before July 2020 have been extended to **June 30, 2020**. Interest and penalties applied to outstanding balances as of **July 1, 2020**.

GST/HST Waiver of Interest on Existing Tax Debt: Interest on existing GST/HST tax debt will be waived from **April 1, 2020 to June 30, 2020**. This does not cancel any penalties or interest already assessed, but will ensure the tax debt does not grow through interest charges during this time.

Customs and Duties: Payments owing for customs duties and the GST on imports are due before the first day of the month following the month in which the Statements of Accounts are issued. The deadline for payment of statements of accounts for March, April and May was deferred to **June 30, 2020**.

Temporary Wage Subsidy (TWS): Organizations that do not qualify for the CEWS may still qualify for the TWS. This entitles eligible employers to claim a taxable wage subsidy immediately for the first remittance period including remuneration paid between March 18, 2020 and June 20, 2020 by reducing the income tax withholdings remitted to CRA by 10% of the employee's the gross wages. This can be claimed up to a maximum of \$1,375 per employee and \$25,000 per employer.

Eligible employers for TWS:

- are a(n):
 - individual (excluding trusts),
 - certain partnership (see Note 1 below),
 - non-profit organization,
 - registered charity, or
 - Canadian-controlled private corporation (CCPC) eligible for the small business deduction (SBD);
- have an existing business number and payroll program account with CRA on March 18, 2020; and
- pay salary, wages, bonuses, or other remuneration to an employee.

Employers eligible to receive the TWS should notify CRA by submitting Form PD27 "10% Temporary Wage Subsidy Self-Identification Form for Employers" for each payroll account. This form must be completed for employers who have claimed the TWS or have claimed the CEWS and will be used by CRA to reconcile the payroll account remittances at year-end. For employers who have claimed the CEWS but not the TWS, the form must indicate that no TWS was claimed for each eligible period in order for the CEWS to be assessed in full without any reduction from the TWS.

Note 1: Partnerships are only eligible for the subsidy if their members consist exclusively of individuals (excluding trusts), registered charities, or CCPCs eligible for the SBD.

Note 2: Employers that qualify for both the CEWS and the TWS may claim both. However, the CEWS will be reduced by any amounts claimed under the TWS.

Canada Emergency Commercial Rent Assistance (CECRA): This program provided forgivable loans to qualifying commercial property owners to cover 50% of up to six monthly rent payments that are payable by eligible small business tenants who experienced financial hardship during April, May, and June 2020. The program applied to rent payable for the six months from April 2020 to September 2020.

To qualify, the commercial property owner must:

- Own commercial real property occupied by one or more impacted small business tenants;
- Enter into a rent reduction agreement with each tenant for the period of April, May and June 2020, reducing gross rent by at least 75%; and
- Ensure the agreement includes (i) a moratorium on eviction for the period during which the property owner agrees to apply the loan proceeds, and (ii) a declaration of rental revenue included in the attestation.

Impacted small business tenants are business (including non-profit and charitable organizations) that:

- Pay less than \$50,000 per month in gross rent per location;
- Generate less than \$20 million in gross annual revenues on a consolidated basis at the parent level; and
- Experience at least a 70% drop in pre-COVID revenues when comparing April, May or June 2020 to the corresponding month in 2019 or to the average of January and February 2020.

This program lowered rent by 75% for small businesses affected by COVID-19 and allowed landlords to earn 75% of monthly rent they may not have received due to tenants' inability to pay.

- Tenants paid 25% of their gross rent, which generally includes base rent, additional rent, and other monthly instalments for management fees, repairs and maintenance, and utilities.
- 50% of the rent was subsidized through a forgivable loan from the government. GST/HST was not required to be collected on amounts subsidized under this program.
- The remaining 25% of the rent cost was absorbed by the landlord.

Landlords and tenants who are **non-arm's length** also qualified for this program provided there was a valid and enforceable lease agreement in place and the rent under the lease is at market rates.

Applications for the April, May and June 2020 months:

- Applications for these months ended on September 30, 2020.
- When applying, the landlord must apply for all impacted tenants and all three months on a single application.
- For applications made after a tenant has already made the months' rental payment, the landlord must either reimburse the tenant for the rent paid in excess of 25% or provide a credit for future rental payments, at the choice of the tenant.

Applications for the July, August and September 2020 months:

- Existing applicants reapplying for these months had until October 30, 2020 to apply.
- Application for these months was optional, unlike the first three months.

- To qualify for the July, August and September 2020 relief periods, the tenant must have been eligible for rent relief in April, May and June 2020. The tenant did not have to experience a 70% revenue drop to qualify for this period.

Canada Summer Jobs Program: The Canada Summer Jobs is a program that aims to provide quality work experiences for youth and provides wage subsidies to non-profit organizations, public-sector, and private-sector organizations with 50 or fewer full-time employees, hiring people aged 15 to 30 years. The temporary changes to the program for the 2020 year include:

- An increase to the wage subsidy for private and public sector employers from 50% to 100% of the provincial or territorial minimum wage for each employee;
- An extension to the end date for employment to February 28, 2021;
- Allowing employers to adapt their projects and job activities to support essential services; and
- Allowing employers to hire staff on a part-time basis.

The Canada Summer Jobs application deadline for employers was on February 28, 2020. However, the government is working to identify organizations that provide essential services in the community and could provide youth jobs but did not meet the February deadline.

Canada Emergency Response Benefit (CERB): A taxable benefit of \$2,000 every 4 weeks (\$500 per week), for up to 28 weeks that began on March 15, 2020 and ended September 26, 2020, was provided to workers:

- residing in Canada, who are at least 15 years old;
- who stopped working because of COVID-19 or are eligible for EI regular or sickness benefits;
- who had employment and/or self-employment income (including non-eligible dividend income, and maternity/paternity leave benefits) of at least \$5,000 in 2019 or in the 12 months prior to the date of their application;
- who earned \$1,000 or less employment and/or self-employment income (including non-eligible dividends) for at least 14 consecutive days in the initial four-week period;
- who earned \$1,000 or less employment and/or self-employment income (including non-eligible dividends) for the entire 4-week period in subsequent periods; and
- who did not quit their job voluntarily.

A worker was not eligible for the CERB if they:

- failed to return to work when it was reasonable to do so and the employer made a request for their return;
- failed to resume self-employment when it was reasonable to do so; or
- declined a reasonable job offer when they are able to work.

The CRA may review a worker's CERB application on request for up to 36 months after the date of the application. If an individual knowingly made a false or misleading representation, failed to declare or provided false income in respect of a CERB application, or received a payment due to non-disclosure of facts, a penalty may be charged against that individual in addition to the CERB repayment. Applications will be verified against tax records at later dates.

The benefit was deposited in a single payment for a 4-week period and requires an updated application every 4 weeks (to a maximum of 16 weeks) confirming the individual's continued eligibility for the CERB.

Individuals Qualifying for both CERB and EI

An individual cannot receive benefits under both EI and CERB for the same period. Individuals who qualified for both EI and CERB received benefits based on the date the individual became eligible for EI.

If an individual became eligible for EI *prior to* March 15, 2020, the claim was processed under the pre-existing EI rules. The amount received as a benefit was calculated based on 55% of the average insurable weekly earnings, up to a maximum of \$573 per week.

If an individual became eligible for EI *after* March 15, 2020, the claim was processed under the CERB program. The amount received was fixed at \$500 per week, regardless of the amount the individual is entitled to under EI rules. This means that individuals entitled to less than \$500 per week under the EI program will receive \$500 per week, and individuals entitled to more than \$500 per week under the EI program only received \$500 per week.

Goods and Services Tax Credit (GSTC): A one-time special payment of the GSTC was made on or around April 9, 2020 to people already receiving the GST/HST credit. The amount paid was double the maximum annual GSTC payment amounts for the 2019-20 benefit year.

Canada Child Benefit (CCB): For families receiving CCB, an extra \$300 per child was provided for the 2019-2020 year. This will be delivered as part of their May 2020 payment.

One-time Payment to Holders of the Disability Tax Certificate: A one-time, tax free payment was made to individuals who hold a Disability Tax Credit certificate as of June 1, 2020 as follows:

- \$600 for Canadian with a valid Disability Tax Certificate;
- \$300 for Canadians with a valid Disability Tax Credit certificate and who are eligible for the Old Age Security (OAS) pension; or
- \$100 for Canadians with a valid Disability Tax Credit certificate and who are eligible for the OAS pension and the Guaranteed Income Supplement (GIS).

Canada Emergency Student Benefit (CESB): A benefit of \$1,250 per month was provided from May through August 2020 to Canadian students studying in Canada, or Canadian citizens completing their post-secondary degrees abroad. To qualify, applicants must be students who:

- Will be enrolled in a post-secondary institution in the coming months or are currently enrolled in post-secondary studies or who graduated no earlier than December 2019;
- Are unable to find full-time employment or are unable to work due to COVID-19;
- Earn \$1,000 or less income per month; and
- Who apply for the benefit prior to October 2020.

Students will be required to attest on the application that they have met the conditions for the CESB.

The CESB was intended to fill the gaps of CERB, which students may not qualify for. Consequently, an individual could only apply for either CERB or CESB, as applying for one would put the individual over the \$1,000 income per month threshold for the other. An enhanced CESB of \$2,000 was provided to students with dependents and those with permanent disabilities.

Doubling of Canada Student Grants: Canada student Grants for the 2020-2021 year will be doubled, providing up to \$6,000 for full-time students and up to \$3,600 for part-time students.

Deferral of Student Loans Payments: There was a six-month suspension of Canada Student Loan repayments for all student loan borrowers, until September 30, 2020. No payment was required and no interest accrued during this time.

This deferral was matched by Ontario, which granted a six-month extension on Ontario Student Assistant Program (OSAP) payments, including a pause on accrual of interest until September 30, 2020.

Canada Student Service Grant: Students who take part in national service volunteer activities may be eligible for a grant of up to \$5,000 to support the student's post-secondary education costs in the fall.

Ontario Taxes and Premiums Interest and Penalty Relief: Beginning **April 1, 2020 until August 31, 2020**, penalties and interest did not apply to corporations that missed any filing or remittance deadlines for certain Ontario taxes and premiums, including:

- Employer Health Tax
- Insurance Premium Tax
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Workplace Safety and Insurance Board Premiums

Ontario corporations are required to file any late returns and make remittances by the end of the relief period. This relief period did not include business accounts with outstanding taxes, interest, or penalties from previous filing periods. These balances continued to accrue interest.