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INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES



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The Government of Canada's economic response to COVID-19

On March 18, 2020, the Prime Minister announced certain economic measures to help stabilize the economy that will provide support for Canadian workers and businesses. This article contains a summary of these proposed measures:

Support for individuals

Temporary support for workers and parents

- Effective March 15, 2020 the government has temporarily waived the one-week waiting period and medical certificate requirement for those who are in quarantine and claim Employment Insurance (EI) sickness benefits.
- The government is introducing an **Emergency Care Benefit**. This flat-payment benefit will provide up to \$900 bi-weekly, for up to 15 weeks to workers (including the self-employed) that don't qualify for the EI sickness benefits and are quarantined or sick with COVID-19 or taking care of a family member who is sick with COVID-19. Parents with children who require care or supervision due to school closures, and are unable to earn employment income, will qualify for the benefit irrespective of whether they qualify for EI or not.

If you are eligible, you can apply for the benefit as of April 2020 and attest that you meet the eligibility requirements. The Canada Revenue Agency (CRA) will be responsible for screening and approving those who apply.

Long-term support for workers

- The government is introducing an **Emergency Support Benefit** to support workers who are facing unemployment as a result of the COVID-19 pandemic and are not eligible for EI. This benefit is expected to be implemented in early April although no other details have been provided.
- The government is implementing the **EI Work Sharing Program**, to provide EI benefits to workers who agree to reduce their normal working hours as a result of the COVID-19 pandemic. This program will ease EI eligibility requirements as well as extend eligibility for the EI benefits to 76 weeks.

Support for low- and modest-income families

For low- and modest-income families, the government is offering:

- A one-time additional **Goods and Services Tax credit** (GSTC) payment by early May 2020. For those that qualify, this will increase income, on average, by approximately \$400 for singles and \$600 for couples for the benefit year.
- A one-time additional payment of \$300 per child for those who qualify for the **Canada Child Benefit** (CCB) in May 2020.

Eligibility for the GSTC and CCB is based on your personal income tax return, so if you expect to receive these benefits, aim to file your 2019 tax return as soon as possible.

Other measures

In addition to the above, the government is offering financial assistance to Indigenous communities, students with student loans, those experiencing homelessness and women and children fleeing violence.

Support for personal and small business banking customers

- The government is allowing homeowners, who may be experiencing financial difficulty, to defer mortgage payments on loans insured by the Canada Mortgage and Housing Corporation, effective immediately.
- RBC and other Canadian financial institutions have announced plans to provide financial relief to Canadians impacted by the financial consequences of COVID-19. Effective immediately, the banks will work with personal and small business banking customers on a case-by-case basis. The support will include up to a six-month payment deferral for mortgages, and the opportunity for relief on other credit products. Individual Canadians or business owners facing hardship are encouraged to contact their bank directly to discuss the options that could be available to them.

Support for businesses

The Canada Account

- The Canada Account is used by the government to support export transactions which Export Development Canada (EDC) is unable to support, but is determined to be in Canada's national interest. Currently transactions exceeding a certain threshold or those of a sensitive nature are, in practice, approved by Cabinet. The government is changing the Canada Account so that the Minister of Finance would now be able to determine the limit of the Canada Account in order to deal with exceptional circumstances.

The government is allowing homeowners, who may be experiencing financial difficulty, to defer mortgage payments on loans insured by the Canada Mortgage and Housing Corporation, effective immediately.

This measure will allow the government to provide additional support to Canadian companies through loans, guarantees or insurance policies.

Suspending CRA audits

- The CRA will not initiate any new post assessment GST/HST or Income Tax audits for small or medium businesses for the next four weeks. Also, for most businesses, the CRA will temporarily suspend any audits currently in progress.

Providing wage subsidies

- For "eligible small employers", which will include corporations eligible for the small business deduction, as well as non-profit organizations and charities, the government is proposing to provide a **temporary wage subsidy** for a period of three months. The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. The purpose of this subsidy is to support businesses and to help prevent lay-offs.

Although supporting legislation containing more details will follow shortly, effective immediately, these businesses will be able to benefit from this measure by reducing their remittances of income tax withheld on their employees' remuneration.

Ensuring access to credit

- The **Business Credit Availability Program (BCAP)** will allow the Business Development Bank of Canada (BDC) and EDC to provide more credit solutions to small and medium-sized businesses, including in sectors such as oil and gas, air transportation and tourism.
- Farm Credit Canada will increase the near-term credit available to farmers and the agri-food sector.
- The Office of the Superintendent of Financial Institutions (OSFI) will **lower the Domestic Stability Buffer by 1.25%** of risk-weighted assets, effective immediately, allowing large Canadian banks to inject \$300 billion of additional lending in to the economy.
- The Bank of Canada cut the interest rate to 0.75% to help ensure that financial institutions can continue to extend credit to both households and businesses.

Supporting financial market liquidity

- To bolster the financial system and the Canadian economy, the government launched an **Insured Mortgage Purchase Program (IMPP)** to purchase up to \$50 billion of insured mortgage pools through CMHC.
- The Bank of Canada has announced that it will adjust its market liquidity operations to maintain market functioning and credit availability during this period of uncertainty, will broaden eligible collateral for certain credit facilities and stands ready to provide support to the Canada Mortgage Bond (CMB) market so that they continue to function well. This would include, as required, purchases of CMBs in the secondary market.

Tax related measures

- The government announced measures to help alleviate financial hardship for individuals, trusts and businesses by extending income tax filings and payment due dates.
- They also proposed that minimum withdrawals from Registered Retirement income funds will be reduced by 25% for 2020. This will allow seniors to defer paying tax on funds that they don't need for their living expenses.

Both these measures are discussed in greater detail in our article on new measures to assist taxpayers during COVID-19 pandemic.

Takeaway

These government proposals and initiatives are aimed at helping individuals and businesses facing financial hardship as a result of the COVID-19 pandemic. The government intends that these actions and programs will help stabilize the economy, support businesses and protect Canadians.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



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