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INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

Update on Canadian government's economic response to COVID-19

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Since we published the article titled “The Government of Canada’s economic response to COVID-19”, the Canadian federal government has passed certain measures into law and has also proposed additional measures intended to stabilize the economy and provide support for Canadian workers and businesses. Below is an update on the government’s economic response to COVID-19.

Additional support for Canadian businesses

Canada Emergency Wage Subsidy

On March 27, 2020, the government announced that it would be introducing a new 75% temporary wage subsidy program to help businesses retain employees during the COVID-19 pandemic. On April 1, 2020 the government provided more details on this program, called the Canada Emergency Wage Subsidy. The government is proposing to cover 75% of the first \$58,700 normally earned by an employee from an eligible employer for a 12 week period, beginning March 15, 2020 to June 6, 2020. This would amount to a maximum subsidy of \$847 per week.

The subsidy will be available to eligible employers whose gross revenue has been reduced by at

least 30% or more in March, April or May 2020 when compared to the same months in 2019. Eligible employers include employers of all sizes and across all sectors of the economy, with the exception of public sector entities. The government will continue to work with non-profit organizations and charities to ensure the definition of revenue is appropriate for them.

The Canada Emergency Wage Subsidy program is an addition to the Temporary Wage Subsidy program enacted on March 25, 2020, which is described in more detail at the end of this article. If an employer claims the 10% subsidy under the Temporary Wage Subsidy program, it will reduce the amount available under the Canada Emergency Wage Subsidy, such that the maximum subsidy an employer can receive is 75%. As well, employers that do not qualify for the

Canada Emergency Wage Subsidy, for example, because they did not experience a 30% reduction in revenue, may still be able to qualify for the Temporary Wage Subsidy.

Eligible employers will also not be able to claim the Canada Emergency Wage Subsidy for remuneration paid to an employee in a week that falls within the 4 week period for which the employee is eligible for the \$2,000 Canadian Emergency Response Benefit, discussed later on in this article.

It is expected that more details about the Canada Emergency Wage Subsidy program as well as draft legislation will be released in the coming days.

Business Credit Availability Program

The government will establish three new programs to provide \$65 billion of additional support through the Business Development Bank (BDC) and Export Development Canada (EDC). BDC and EDC are working with private sector lenders such as RBC to coordinate on credit solutions for individual businesses. Details around the eligibility criteria and enrollment are forthcoming and the government has stated these programs will roll out in the three weeks after March 27, 2020. Existing RBC business clients who have been registered as a business as of March 1, 2020 will be eligible to enroll in these solutions. Program eligibility and enrollment details will be available in the coming days at www.rbc.com/businessrelief.

Relief solutions include:

- **Canada Emergency Business Account** – Eligible small businesses and not-for-profit organizations may be able to receive interest-free loans of up to \$40,000 under the new Canada Emergency Business Account program. To qualify, these organizations will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019. This \$25 billion program is intended to assist small businesses with their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of COVID-19. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000).
- **EDC Business Credit Availability Program Guarantee** – To support small and medium enterprises (SMEs) who may be vulnerable to the impacts of COVID-19, EDC will guarantee new operating credit and cash flow term loans that financial institutions extend to SMEs, up to \$6.25 million. These loans will be 80% guaranteed by EDC, to be repaid within one year. The program cap for this new loan program will be a total of \$20 billion for the export sector and domestic companies.

Eligible small businesses and not-for-profit organizations may be able to receive interest-free loans of up to \$40,000 under the new Canada Emergency Business Account program.

- **BDC Co-Lending Facility for SMEs** – To provide additional liquidity support for SMEs, the government is introducing a Co-Lending Program that brings the BDC together with financial institutions to co-lend term loans to SMEs of up to \$6.25 million for their operational cash flow requirements. The BDC will provide 80% of the term loan, with the remaining 20% provided by the financial institution.

In order to be eligible for the BDC Co-Lending Facility or EDC Business Credit Availability Program, businesses must have been financially viable prior to the impact from COVID-19.

Goods and Services Tax (GST)/Harmonized Sales Tax (HST) remittance deferral

The federal government is proposing to defer certain GST/HST remittances to June 30, 2020 for monthly, quarterly and annual filers as follows:

- Monthly filers – remittances collected for February, March and April 2020 reporting periods;
- Quarterly filers – remittances collected for the January 1, 2020 through March 31, 2020 reporting period; and
- Annual filers, whose GST/HST return or instalment are due in March, April or May 2020 – remittances collected and owing for their previous fiscal year and instalments of GST/HST in respect of the filer's current fiscal year.

The federal government did not defer the requirement to file GST/HST returns in respect of these periods.

As well, the Quebec government has postponed the filing deadline for the QST return and the payment of the March 31, April 30 and May 31 QST remittances to June 30, 2020, without interest or penalties.

Customs duty payments deferral

Typically, 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 federal government announced the payment deadlines for statements of accounts for March, April and May has been deferred to June 30, 2020.

Bill C-13, An Act respecting certain measures in response to COVID-19

On March 25, 2020, Bill C-13, *An Act respecting certain measures in response to COVID-19* (the Bill) received Royal Assent. The Bill implements certain tax measures first announced by the federal government on March 18, 2020. These include:

- **Reduced RRIF minimum payment for 2020** – The Bill reduces required registered retirement income fund (RRIF) minimum withdrawals by 25% for the 2020 tax year. Additional details on how this change is to be administered is expected to be provided by the CRA in the coming days.
- **Additional Goods and Services Tax Credit (GSTC)** – A one-time additional GSTC payment will be made in May 2020. This benefit is income-tested and eligibility will be based on an individual's 2018 tax return.
- **Additional Canada Child Benefit (CCB)** – A one-time additional payment of \$300 per child for those who qualify for the CCB in May 2020. Eligibility for this benefit will be based on an individual's 2018 tax return.
- **Improved access to Employment Insurance (EI) sickness benefits** – The government has temporarily waived the medical certificate requirement for those who are in quarantine or have been directed to self-isolate and claim EI sickness benefits.
- **Student loan** – Effective March 30, 2020, all Canada Student Loan and Canada Apprentice Loan payments are suspended until September 30, 2020 with no accrual of interest. Student loan borrowers will automatically have their repayments suspended and do not need to apply for the repayment pause.

Canada Emergency Response Benefit

As part of the Bill, the government introduced a Canada Emergency Response Benefit (CERB). The CERB replaces the previously announced Emergency Care Benefit and Emergency Support Benefit. This taxable benefit will provide \$2,000 a month for up to four months for those who must stop working due to COVID-19 and do not have access to paid leave or other income support. The benefit is also available to those who are sick, quarantined or taking care of someone who is sick with COVID-19 as well as working parents who must stay home without pay to care for children that are sick or need additional care because of school and daycare closures. The CERB applies to wage earners and self-employed individuals, including contract workers, who would not otherwise be eligible for EI.

In order to qualify for this benefit, an individual must:

- Be at least 15 years old;
- Be a resident of Canada;

Effective March 30, 2020, all Canada Student Loan and Canada Apprentice Loan payments are suspended until September 30, 2020 with no accrual of interest.

- In 2019, or in the 12 month period preceding the application date for the CERB have an income level of at least \$5,000 from employment or self-employment income, EI or allowance, money or other benefits paid under a provincial plan due to pregnancy or adoption;
- Ceased work for reasons relating to COVID-19 for at least 14 consecutive days within the four week period in respect of which they apply for payment of the CERB. Note that if a person voluntarily quit their employment, they will not be considered to have ceased work. If a person is still employed but is not being paid because their employer has asked them not to come to work due to insufficient business, they will be considered to have ceased work for the purpose of this benefit; and,
- In those 14 days in which a person has ceased working, they have not received any income from employment, EI or allowances, money or other benefits paid under a provincial plan due to pregnancy or adoption.

The CERB application will be accessible through a secure web portal starting in early April, 2020. Canadians should begin to receive CERB payments within 10 days of application. The CERB will be paid every four weeks and be available from March 15, 2020 until October 3, 2020. Currently, the maximum number of weeks a person can receive the CERB is 16 weeks; however, the Bill allows the government to change this in the future.

Canadians who are already receiving regular EI and EI sickness benefits would continue to receive benefits and should not apply for the CERB. If their EI benefits end before October 3, 2020, they can apply for the CERB once those benefits end if they are unable to return to work due to COVID-19. As well, Canadians who receive the CERB and are eligible for regular EI and EI sickness benefits are still able to access their normal EI benefits if they are still unemployed after the 16 weeks ends.

Temporary Wage Subsidy for eligible employers

The Bill also included a Temporary Wage Subsidy program for a three month period for eligible employers, including individuals, partnerships (if the members consist exclusively of individuals, excluding trusts), Canadian controlled private corporations eligible for the small business deduction, not-for-profit organizations, and registered charities, that have one or more employees. The subsidy is equal to 10% of remuneration paid by

eligible employers from March 18, 2020 to June 19, 2020 to eligible employees up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

If you did not pay remuneration to an eligible employee from March 18, 2020 to June 19, 2020, you cannot receive the subsidy, even if you are an eligible employer.

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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