

SANGRA MOLLER LLP*Barristers & Solicitors***LEGAL CURRENCY***A Client Communication****COVID-19: Canadian Government Economic Response Plan (March 18, 2020 Update)***

On March 18, 2020, the Federal Government announced a number of new economic measures in response to the COVID-19 pandemic. Our previous edition of *Legal Currency*, entitled "Canadian Government Support in Response to the Coronavirus", discussed the Business Credit Availability Program (BCAP) designed to allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide more than \$10 billion of additional support. Certain of the Government's additional measures are described below.

I. Tax Deferral

For individuals (other than trusts), the current April 30, 2020 tax filing deadline for T1 Individual Income Tax Returns has been deferred to June 1, 2020. However, CRA recommends that individuals who expect to receive the Goods and Services Tax Credit or the Canada Child Benefit not delay the filing of their tax returns to ensure their entitlements for the 2020-2021 benefit year are properly determined.

For trusts with a taxation year ending on December 31, 2019, the tax filing deadline for T3 Trust Income Tax Returns has been deferred from March 31, 2020 to May 1, 2020.

No deferral for filing of T2 Corporate Income Tax Returns was announced, however for **all taxpayers** (which includes individuals, trusts and corporations), any amounts that become owing on or after today and before September 2020 can be deferred until after August 31, 2020 without interest or penalties. This would apply to any tax balances due as well as instalments due.

The CRA will also temporarily suspend most of their ongoing audits. The CRA will also not contact any small or medium businesses to initiate any post

assessment GST/HST or income tax audits for the next four weeks.

II. Other Support for Businesses

The Canadian government has proposed to provide certain businesses a temporary wage subsidy for three months in an effort to keep staff on the payroll. The subsidy is expected to 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. Businesses may access this subsidy by reducing their remittances of income tax withheld on their employees' remuneration.

The businesses eligible for this subsidy are those corporations eligible for the small business deduction, as well as non-profit organizations and charities.

Other details of this subsidy are expected to be forthcoming in the form of a new legislation.

The Office of the Superintendent of Financial Institutions (OSFI) announced it is lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets, effective immediately. This action is designed to allow Canada's large banks to inject \$300 billion of additional lending into the economy.

The Bank of Canada also cut the interest rate to 0.75% as a proactive measure in light of the negative shocks to Canada's economy arising from the COVID-19 pandemic and the recent sharp drop in oil prices.

The Bank of Canada also announced that it will adjust its market liquidity operations to maintain market functioning and credit availability during this uncertain period.

III. Other Aid

The Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank announced their willingness to allow customers to delay mortgage payments by up to six months. However, it remains unclear whether the deferrals will be interest-free. Individuals with mortgages with these six banks are being asked to contact their bank directly, as determinations are being made on a case-by-case basis.

The Canada Mortgage and Housing Corporation is also permitting lenders to allow payment deferral effective immediately.

IV. Support for Workers

Employment Insurance (EI) Sickness Benefits

For workers without paid sick leave who are sick, quarantined or forced to stay home to care for children, EI Sickness Benefits are available to workers that have accumulated 600 insured hours of work in the 52 weeks before the start of the claim or the start of their last claim, whichever is shorter. The Canadian government is waiving the one-week waiting period requirement for individuals in imposed quarantine and is waiving the medical certificate requirement for all applicants.

EI Sickness Benefits can provide workers with up to 15 weeks of financial assistance and allow workers to receive up to 55% of their earnings up to a maximum of \$573 per week.

Emergency Care Benefit

Workers who are quarantined, sick, taking care of a sick family member or parents with children who require care due to school closures and do not qualify for EI Sickness Benefit are eligible for Emergency Care Benefit, which provides up to \$900 in bi-weekly payments for up to 15 weeks.

Applications for this benefit will be available in April once this benefit receives Royal Assent.

Emergency Support Benefit

Workers who lose their jobs or face reduced hours as a result of COVID-19 will be eligible to receive this benefit. The Canadian government plans to dedicate up to \$5 billion to this program.

Limited information about this benefit is currently available. More information is expected once this benefit receives Royal Assent.

EI Work-Sharing Program

The Work-Sharing Program is an adjustment program designed to avoid layoffs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer. The Canadian government is temporarily extending the maximum duration of the eligibility of such Work-Sharing agreements from 38 weeks to 76 weeks.

This communication is intended to provide general information as a service to our clients and should not be construed as legal advice or opinions on specific facts.