



# Personal tax measures: Canada's COVID-19 response plan

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Over the past few weeks, the Government of Canada passed legislation<sup>1</sup> to put into place a variety of measures to help individual Canadians and businesses facing hardship as a result of the COVID-19 outbreak. Here's a summary of the potential relief available to Canadians.

## Canada Emergency Response Benefit

For Canadians who have lost jobs or who are sick, quarantined or forced to stay home to care for children, the Canada Emergency Response Benefit<sup>2</sup> ("CERB") provides income support of \$2,000 per month (\$500 per week.) Individuals who stop working and are not earning (self-)employment income due to the COVID-19 pandemic may receive the CERB for up to 16 weeks. It applies to workers who have lost their jobs, or to those who are still employed but are not being paid because of disruptions to their workplace. It is also available to those who are sick, quarantined, or taking care of someone who is sick with COVID-19. Working parents who must stay home without pay to care for children, either because children are sick or are at home due to school and daycare closures, are also eligible for the CERB. It does not, however, apply for workers who have voluntarily quit their jobs.

To be eligible for the CERB, you must be at least 15 years old, reside in Canada and have a Social Insurance Number. You must also have had a minimum of \$5,000 of (self-)employment income or maternity or parental benefits under the Employment Insurance ("EI") program<sup>3</sup> in either 2019 or in the 12 months prior to your date of application. In the initial four-week claim period, you cannot have earned more than \$1,000 of income from (self-)employment for at least 14 consecutive days. For claims in subsequent periods, you cannot have earned more than \$1,000 during the four-week benefit period of that claim. You are also eligible for the CERB if you are eligible for EI benefits. Workers can apply for the CERB for any four-week period beginning on March 15, 2020 and ending on October 3, 2020. You must apply separately for each four-week period and the last date to apply for the benefit is December 2, 2020.

The CERB is administered by the Canada Revenue Agency ("CRA") and applications were available as of April 6, 2020. You can apply online through either Service Canada and the Employment Insurance program or through the CRA, using the CRA My Account system - but not both. If you were self-employed, you should apply for the CERB through the CRA. If you were a full-time employee (i.e. someone who works 30 hours or more per week) for at least four months in 2019 or a part-time employee for at least eight months in 2019, you should apply through Service Canada and the Employment Insurance program. All other employees should apply through the CRA. You can also apply over the telephone using an automated phone service.<sup>4</sup>

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<sup>1</sup> The legislation can be found in two new Bills, Bill C-13 and Bill C-14, which can both be found at: [parl.ca/LegisInfo/Home.aspx?Language=E&ParliamentSession=43-1&SortBy=BillLatestEventStartTime&SortDir=DESC](http://parl.ca/LegisInfo/Home.aspx?Language=E&ParliamentSession=43-1&SortBy=BillLatestEventStartTime&SortDir=DESC).

<sup>2</sup> This benefit replaces the previously announced Emergency Care Benefit and the Emergency Support Benefit.

<sup>3</sup> For Quebec residents, benefits under the Quebec Parental Insurance Plan qualify.

<sup>4</sup> Further information on the application process can be found on the CRA website at [canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html](http://canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra.html).

To help manage the volume of applications, the government has designated specific days of the week<sup>5</sup> for you to apply for the CERB, depending on your month of birth.

The CERB is linked to the EI benefit system so that you cannot be paid both EI benefits and the CERB for the same period.

If you were eligible to receive EI benefits **before March 15, 2020**, you will continue to receive those benefits until the end of your benefit period. If those benefits end before October 3, 2020, you may then apply for the CERB so long as you are eligible at that time.

If you became eligible for EI **on March 15th or later**, your claim will automatically be processed through the CERB even if you originally applied for EI, and even if you started to receive EI. If your EI entitlement exceeds the CERB benefit, you retain your eligibility to receive EI after you stop receiving the CERB and your EI entitlement won't be impacted. You can still access regular EI if you continue to be unemployed after the 16-week period of receiving the CERB.

Amounts received under the CERB are taxable and must be reported as income when filing your 2020 income tax return. The government will issue a tax reporting information slip indicating the total amount of CERB you received. No tax will be deducted at source from the \$2,000 CERB payments. The amount of tax owing on your CERB will depend on your 2020 marginal tax rate, so you may need to pay tax on the CERB amounts you received when you file your 2020 income tax return.

The government is considering measures to limit duplication of the CERB with the Canada Emergency Wage Subsidy (CEWS) program.<sup>6</sup> For instance, it is possible that employees that are rehired and receive wages for which their employer has claimed the CEWS may be required to cancel their CERB claim and make a repayment of the CERB already received.

## Special Goods and Services Tax Credit payment

The government issued a one-time special payment on April 9, 2020 through the Goods and Services Tax Credit ("GSTC"), doubling the maximum annual GSTC payment amounts for the 2019-20 benefit year. The government has estimated an average boost to income for those benefitting from this measure will be approximately \$400 for single individuals and nearly \$600 for couples. This is estimated to benefit over 12 million low- and modest-income Canadian families.

## Increased Canada Child Benefit payments

The government is also increasing the maximum annual Canada Child Benefit ("CCB") payment amounts for the 2019-20 benefit year by \$300 per child as part of their May 2020 payment. It estimates that the average increase for families receiving the CCB will be approximately \$550 on average and that over 3.5 million families with children will benefit.

## Students

The government has announced a number of specific measures to increase support for post-secondary school students, recognizing that some students may not qualify for the CERB.

### Canada Emergency Student Benefit

On April 22, 2020, the government announced the Canada Emergency Student Benefit (CESB). The CESB will provide \$1,250 per month during the months of May through August 2020 to post-secondary students who earn no more than \$1,000 per month. These payments will be administered through the CRA. Students living with a disability, or who care for another person, will be eligible to receive \$1,750 per month.

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<sup>5</sup> You are encouraged to apply on the following days based on your month of birth: January, February or March (Mondays), April, May or June (Tuesdays), July, August or September (Wednesdays), and October, November or December (Thursdays). Anyone can apply on Fridays, Saturdays and Sundays.

<sup>6</sup> Further information on the CEWS can be found in our report titled "Wage subsidy programs for employers: Canada's COVID-19 response plan," which can be found online at [cibc.com/content/dam/personal\\_banking/advice\\_centre/tax-savings/covid-wage-subsidy-en.pdf](https://cibc.com/content/dam/personal_banking/advice_centre/tax-savings/covid-wage-subsidy-en.pdf).

Current post-secondary students, as well as those enrolling in September 2020 will be eligible, along with students who graduated in December 2019.

## Student and Apprentice Loans

The government instituted a six-month, interest-free moratorium on the repayment of Canada Student Loans and Apprentice Loans for all individuals currently in the process of repaying these loans. No interest will be added on these loans during the period beginning March 30, 2020 and ending on September 30, 2020.

For the 2020-2021 school year, the government will increase the maximum monthly amount that can be provided to a student to \$350 per month, up from \$210.

## Canada Summer Jobs Program

The government has also announced that a wage subsidy will apply for up to 100% (up from 50%) of the provincial or territorial minimum hourly wage for employees under the Canada Summer Jobs program, which helps create summer jobs for those ages 15 to 30 years old. Job placements can begin on May 11, 2020 and the program will be extended to placements running until February 28, 2021. This will also apply to staff hired on a part-time basis. Eligible employees can search for jobs through the [Job Bank](#) website.<sup>7</sup>

## Student Grants

Students who volunteer in positions that assist communities during the COVID-19 pandemic will be eligible for the new Canada Student Service Grant. This grant will provide amounts ranging from \$1,000 to \$5,000 (depending on the number of hours spent volunteering) to be used to fund education in the fall of 2020.

In addition, the existing Canada Student Grants program will be doubled, resulting in eligible full-time students receiving up to \$6,000, and part-time students receiving up to \$3,600.

## RRIF minimum amounts

There is no minimum annual withdrawal required from your Registered Retirement Savings Plan (“RRSP”). By the end of the year you reach 71, you must either convert your RRSP to a Registered Retirement Income Fund (“RRIF”) to continue the tax deferral, de-register the RRSP and pay the resulting taxes, or purchase a registered annuity.

You must start taking minimum withdrawals from your RRIF in the year after the RRIF is established. Minimum withdrawals are calculated as a percentage of the fair market value of your RRIF assets at the beginning of the year, and the percentage is based on your age. Withdrawals from your RRSP or RRIF are taxable.

The government announced that for 2020, it is reducing required minimum withdrawals from RRIFs by 25% “in recognition of volatile market conditions and their impact on many seniors’ retirement savings.” This will provide needed flexibility to seniors that are concerned that they may be required to liquidate more of their RRIF assets than they need to meet the current legislated minimum withdrawal requirements. Further information on the changes to RRIF minimum amounts can be found in our report, “[Lower RRIF minimum withdrawals for 2020: Canada's COVID-19 response plan](#).”<sup>8</sup>

## Tax payment and filing deadlines

The government announced extensions of the deadlines for filing personal and trust tax returns and paying balances owing.

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<sup>7</sup> This can be found online at [jobbank.gc.ca/home](http://jobbank.gc.ca/home).

<sup>8</sup> The report titled “Lower RRIF minimum withdrawals for 2020: Canada's COVID-19 response plan” is available online at [cibc.com/content/dam/personal\\_banking/advice\\_centre/tax-savings/covid-rrif-en.pdf](http://cibc.com/content/dam/personal_banking/advice_centre/tax-savings/covid-rrif-en.pdf).

## Individuals

You now have until June 1, 2020 to file your personal 2019 T1 Income Tax and Benefit Return, which is one month later than the usual April 30th deadline. Self-employed taxpayers (and their spouses or partners) still have until June 15, 2020 to file.

You now have until September 1, 2020 to pay any balance owing for your 2019 tax return, which is four months later than the usual April 30th deadline. This means you will not be assessed any penalties or interest if your balance due is paid by September 1, 2020.

If you expect to receive income-tested benefits, such as the GSTC or the CCB, it is recommended that you still file your tax return by April 30 to help ensure your benefits can be properly calculated in time for 2020-21 program payments that begin in July 2020.

If you are expecting a tax refund, it's also a good idea to file your tax return as soon as possible since the CRA will continue to process refunds throughout tax season.

Under the tax rules, quarterly tax instalments (due March 16, June 15, Sept. 15 and Dec. 15) are required for 2020 if your "net tax owing" this year will be more than \$3,000 (\$1,800 for Quebec tax filers) and was also greater than \$3,000 in either 2019 or 2018. The definition of net tax owing is effectively your net federal and provincial taxes, less income tax withheld at source. If you are self-employed, your instalments must include any Canada Pension Plan ("CPP") contributions and voluntary EI premiums.

You now have until September 1, 2020 to pay your June 2020 quarterly personal tax instalments, and other instalments that would normally be due between March 18 and August 31, 2020. No interest or penalties will accumulate on these amounts during this period.

## Trusts

The government also extended the deadline to file T3 Trust Income Tax Returns, along with T3 Information Slips, to May 1, 2020 for trusts with taxation years ending on December 31, 2019. This includes personal trusts and many mutual fund and other trusts that report investment income on T3 slips. If you had income from a trust in 2019, this may mean you need to wait up to a month longer than usual for your T3 slips to arrive.

For trusts with year-ends other than December 31, and who would have had a filing due date in April or May, their tax filing deadline has been extended to June 1, 2020.

In addition, for trusts that have income tax balances and instalments due on or after March 18, 2020 and before September 1, 2020, the payment deadline is deferred to September 1, 2020.

## Business owners

The government also announced a variety of measures to support businesses that are facing revenue losses. Further information on these initiatives can be found in our report, "[Relief measures for businesses: Canada's COVID-19 response plan](#)."<sup>9</sup>

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<sup>9</sup> The report titled "Relief measures for businesses: Canada's COVID-19 response plan" is available online at [cibc.com/content/dam/personal\\_banking/advice\\_centre/tax-savings/covid-business-tax-en.pdf](https://www.cibc.com/content/dam/personal_banking/advice_centre/tax-savings/covid-business-tax-en.pdf).

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