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Canadian Tax and Other Measures Implemented in Response to COVID-19 Pandemic

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Starting on March 18, 2020, the Canadian government has announced a series of emergency measures intended to help stabilize the economy in response to the COVID-19 pandemic. These include tax and economic measures aimed at providing financial support for individuals and businesses, and alleviating the economic and administrative burdens associated with paying income tax, complying with certain tax filing deadlines and engaging with the Canada Revenue Agency (CRA) in the context of ongoing audits and disputes.

Extension of Due Dates for Income Tax Filings and Payments

Individuals

Income tax returns for individuals, which are normally due on April 30, will be due on June 1, 2020.

Any income tax balances or other amounts (including tax instalments) arising under Part I of the Income Tax Act (Canada) (ITA) that would ordinarily fall due after March 17, 2020, and before September 1, 2020, may now be paid no later than September 1, 2020. Interest and penalties will not accumulate on such amounts during this period.

Trusts

For trusts that have a taxation year end of December 31, the income tax return filing deadline, which was March 30 for 2020, has been deferred to May 1.

Any income tax balances or other amounts (including tax instalments) arising under Part I of the ITA that would ordinarily fall due after March 17, 2020, and before September 1, 2020, may now be paid no later than September 1, 2020. Interest and penalties will not accumulate on such amounts during this period.

Partnerships

Partnership information returns (Form T5013) are normally due on the last day of March for partnerships that have a fiscal period end of December 31, other than partnerships of which all members are corporations and which are required to file a return within five months of the end of the fiscal period. Partnership returns that would otherwise be due at the end of March will be due on May 1, 2020.

Corporations

No changes have been made to the tax filing deadlines for corporations.

Any income tax balances or other amounts (including tax instalments) arising under Part I of the ITA that would ordinarily fall due after March 17, 2020, and before September 1, 2020, may now be paid no later than September 1, 2020. Interest and penalties will not accumulate on such amounts during this period.

Note that for all taxpayers, this relief is limited to amounts of tax arising under Part I of the ITA. However, this relief does not extend to payroll taxes, including source deductions for income taxes, Canada Pension Plan and Employment Insurance contributions and provincial payroll taxes (such as Ontario's Employer Health Tax). Withholding tax obligations on payments to non-residents, which arise

under Part XIII of the ITA, are not covered by these measures. However, NR4 Information Returns, which are generally due on the last day of March following the calendar year to which the information return applies, are now due on May 1, 2020.

Amounts owing under the *Excise Tax Act* (Canada), including goods and services tax (GST) and harmonized sales tax (HST), as well as duties and amounts owing on imports, will be deferred until June.

It is generally understood that these measures apply for provincial tax purposes to any provinces that have their tax systems administered by the CRA. The province of Québec has indicated that it will generally follow the federal tax measures.

Other Income Tax Filings

In addition to the income tax filing and payment deadline extensions, the CRA will allow taxpayers to defer until June 1, 2020, a number of other administrative tax actions required under the ITA that were due after March 18, 2020. These administrative income tax actions include the filing of returns, forms, elections, designations and responses to information requests.

Tax Disputes

The CRA has indicated that it will not initiate any GST/HST or income tax audits of small or medium-sized businesses during the four-week period commencing on March 18, 2020.

With respect to ongoing audits, the CRA will temporarily suspend audit activities and interactions with taxpayers and their legal representatives, except in cases where an applicable reassessment period is about to expire, in which case the CRA may request that taxpayers provide waivers in respect of the particular taxation year(s) under review. The CRA has also indicated that it will continue to interact with taxpayers in cases of high-risk GST/HST refund claims, where some consultation with the taxpayer may be required before a refund can be paid out.

The due date for filing a notice of objection has not been extended. The Tax Court of Canada has encouraged taxpayers to file their notices on time, but has indicated that it would, on a case-by-case basis, be as flexible as reasonably possible regarding applications for extension of time. Furthermore, with respect to the processing of objections, the CRA has indicated that it will prioritize objections related to taxpayer claims for benefits and credits, and all other objections filed by individuals and business related to other tax matters will be held in abeyance. No collection action will be taken with respect to such accounts.

Collections

The CRA has indicated that it will suspend enforcement of collections on new debts until further notice, and make flexible payment arrangements available to taxpayers on a case-by-case basis. The CRA has also signalled that taxpayers who are unable to make a payment when due, file a return on time or otherwise comply with a tax obligation because of circumstances beyond their control may request relief from interest and penalties by submitting Form RC4288, Request for Taxpayer Relief.

Online and Telephone Communications with the CRA

While the CRA's individual and benefit enquiries lines and business tax enquiries lines remain open, fewer agents may be available to answer calls due to adjustments made to the workforce to comply with health and safety recommendations, potentially resulting in delays. The CRA is encouraging taxpayers to access tax information and file tax returns online. To facilitate the online filing of tax returns, the CRA will temporarily recognize electronic signatures for purposes of forms T183 and T183CORP, which allow taxpayers to authorize tax preparers to electronically file tax returns on their behalf.

For further information, see the CRA's response to the COVID-19 pandemic.

Proceedings before the Tax Court of Canada

The Tax Court of Canada (TCC) has cancelled all judicial sittings and conferences scheduled between March 16, 2020, and May 1, 2020, and has ordered that this period of time be excluded from the computation of time under all procedural rules applicable to the TCC.

Sittings scheduled beyond May 1, 2020 are currently anticipated to proceed, subject to a reassessment by the Chief Justice on April 14, 2020.

Other Economic Measures

In addition to the tax-specific measures summarized above, economic measures aimed at supporting Canadian business and individuals include the following:

- The Office of the Superintendent of Financial Institutions lowered the domestic stability buffer by 1.25% of risk-weighted assets, potentially allowing Canada's large banks to increase domestic lending by an estimated $300 billion.
- The Bank of Canada reduced the key interest rate to 0.25% in an attempt to offset some of the negative shocks to the Canadian economy resulting from the COVID-19 pandemic and the recent sharp decline in oil prices.
- The government launched an Insured Mortgage Purchase Program under which the government will purchase up to $50 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation, in an effort to support the stability and liquidity of Canada's mortgage market.
- Changes were made to the Canada Account, a program administered by Export Development Canada (EDC) and used to support exporters when deemed to be in the national interest, to allow the government to provide support to Canadian companies through loans, guarantees or insurance policies.
- The Business Credit Availability Program was introduced, which will allow the Business Development Bank of Canada (BDC) and EDC to provide credit support to small and medium-sized businesses, including those in the oil and gas, air transportation and tourism sectors. To this end, the BDC and EDC will coordinate with private sector lenders.
- Wage support and interest-free loans for small and medium businesses.
- Key measures for individuals include financial measures to provide temporary and longer-term support for workers, an enhanced GST credit for eligible taxpayers, a 25% reduction of the required minimum withdrawal from registered retirement income funds, and an increase to the Canada Child Benefit for eligible families.

For a list of the initial measures, see the Department of Finance Canada Backgrounder.

Many of these measures are set out in Bill C-13, *An Act respecting certain measures in response to COVID-19*, which was passed in emergency sittings of the House of Commons and Senate on March 25, 2020.

Additional measures were announced on March 26 and 27, 2020.

Spending Powers of Cabinet

Bill C-13 creates and/or amends existing legislation to give the Minister of Finance the power to make discretionary spending and borrowing decisions in response to the COVID-19 pandemic. These powers expire on September 30, 2020. Provisions in the original draft legislation granting Cabinet broad powers to legislate with respect to taxation by regulation until the end of 2021 were abandoned in response to sharp criticism by the official opposition in Parliament.

Federal Budget 2020

Earlier in March, the 2020 federal budget was postponed indefinitely as the government's focus shifted to its response to the COVID-19 pandemic. No new information has been provided regarding the expected release date of the budget.

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