



# Canada's COVID-19 Economic Response Plan

## Rapid Policy Update

March 18, 2020

On March 18, the government of Canada announced its COVID-19 Economic Response Plan, which provides up to \$27 billion in direct support to Canadian workers and businesses, plus \$55 billion to meet liquidity needs of Canadian businesses and households through tax deferrals to help stabilize the economy. Combined, this \$82 billion in support represents more than 3 per cent of Canada's GDP. This plan builds on the action taken since the beginning of this outbreak.

The government's announcement represented an important step forward in dealing with the economic impacts of COVID-19. The measures are the first stage of the government's fiscal strategy and the Canadian Chamber will continue to work with them and with other partners to maintain the vital connection between employers and employees and mitigate the economic impact of the pandemic.

To date, the Canadian Chamber recommended the following measures to government to support Canadian business through this crisis and ensure a more effective recovery.

- Deferring tax deadlines, audits and payments (for both individuals and businesses) to assist with short-term liquidity and allow them to focus on dealing with the pandemic.
- Provide direct support to employers to cover a significant percentage of the wages paid to workers who would otherwise lose their incomes
- Offering flexibility on remittance payments (e.g. consider eliminating interest penalties).
- Reducing tariffs on essential goods and medical supplies needed to deal with the pandemic.
- Building upon previous announced measures to help affected businesses of all sizes access credit and capital swiftly.
- Helping businesses, SMEs particularly, pay furloughed employees and finance remote work options.
- Accelerating government payments owed to private sector and non-profit vendors.
- Postponing government consultations that are not germane to COVID-19 and place a moratorium on the introduction of new regulations and policies that are nonessential to avoid forcing businesses to divert their attention from dealing with the crisis at hand.
- Providing provisional extensions for temporary foreign workers already in Canada.
- Identifying and supporting front line workers for essential goods and services.

We welcome the inclusion of many of our recommendations in the measures announced today. We know that all businesses, and particularly small businesses, are feeling severe pressure. We still have much more work ahead.

## **Support for Canadian Businesses**

The Government of Canada is taking immediate action to support Canadian businesses facing financial hardship as a result of the COVID-19 pandemic.

- **Flexibility for Businesses Filing Taxes**

- The Canada Revenue Agency will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 2020.
- The Canada Revenue Agency will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks.
- The Liaison Officer Service offers help to owners of small businesses to understand their tax obligations. Traditionally available in-person, this service is now available over the phone and will be customizing information during these challenging times by ensuring small businesses are aware of any changes such as filing and payment deadlines, proactive relief measures, etc.

- **Ensuring Businesses Have Access to Credit**

- The *Business Credit Availability Program* (BCAP) will allow the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to provide more than \$10 billion of additional support, largely targeted to small and medium-sized businesses.
- 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 will allow Canada's large banks to inject \$300 billion of additional lending in to the economy.
- The Bank of Canada also took a series of actions to support the Canadian economy during this period of economic stress, enhance the resilience of the Canadian financial system, and help ensure that financial institutions can continue to extend credit to both households and businesses. This included cutting the interest rate to 0.75% as a proactive measure.

- **Helping Businesses Keep their Workers**

- To support businesses that are facing revenue losses and to help prevent lay-offs, the government is proposing to provide eligible small employers 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. Businesses will be able to benefit

immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration. Employers benefiting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities.

- **Supporting Canadian Business through the Canada Account**
  - 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 Canada Account is administered by Export Development Canada (EDC) and is used by the government to support exporters when deemed to be in the national interest.
  
- **Supporting Financial Market Liquidity**
  - As a further proactive and coordinated measure to bolster the financial system and the Canadian economy, the government announced on March 16 that it is launching an *Insured Mortgage Purchase Program* (IMPP). Under this program, the government will purchase up to \$50 billion of insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC). This action will provide long-term stable funding to banks and mortgage lenders, help facilitate continued lending to Canadian consumers and businesses, and add liquidity to Canada's mortgage market.

## **Support for Canadians**

The government of Canada is taking immediate action to support Canadians facing financial hardship as a result of the COVID-19 pandemic.

- **Temporary Income Support for Workers and Parents**
  - For Canadians without paid sick leave (or similar workplace accommodation) who are sick, quarantined or forced to stay home to care for children, the government is:
    - Waiving the one-week waiting period for those individuals in imposed quarantine that claim *Employment Insurance* (EI) sickness benefits. This temporary measure is in effect as of March 15, 2020.
    - Waiving the requirement to provide a medical certificate to access EI sickness benefits.
    - Introducing the *Emergency Care Benefit* providing up to \$900 bi-weekly, for up to 15 weeks. This flat-payment Benefit would be administered through the Canada Revenue Agency (CRA) and provide income support to:
      - Workers, including the self-employed, who are quarantined or sick with COVID-19 but do not qualify for EI sickness benefits.

- Workers, including the self-employed, who are taking care of a family member who is sick with COVID-19, such as an elderly parent, but do not qualify for EI sickness benefits.
  - Parents with children who require care or supervision due to school closures, and are unable to earn employment income, irrespective of whether they qualify for EI or not.
- **Long-Term Income Support for Workers**
  - For Canadians who lose their jobs or face reduced hours as a result of COVID's impact, the government is:
    - Introducing an Emergency Support Benefit delivered through the CRA to provide up to \$5.0 billion in support to workers who are not eligible for EI and who are facing unemployment.
    - Implementing the EI Work Sharing Program, which provides EI benefits to workers who agree to reduce their normal working hour as a result of developments beyond the control of their employers, by extending the eligibility of such agreements to 76 weeks, easing eligibility requirements, and streamlining the application process.
- **Income Support for Individuals Who Need It Most**
  - To ensure that certain groups who may be vulnerable to the impacts of COVID-19 have the support they need, the government is proposing targeted help by:
    - Providing \$305 million for a new distinctions-based Indigenous Community Support Fund to address immediate needs in First Nations, Inuit, and Métis Nation communities.
    - Placing a six-month interest-free moratorium on the repayment of Canada Student Loans for all individuals currently in the process of repaying these loans.
    - Reducing required minimum withdrawals from Registered Retirement Income Funds (RRIFs) by 25% for 2020, in recognition of volatile market conditions and their impact on many seniors' retirement savings. This will provide flexibility to seniors that are concerned that they may be required to liquidate their RRIF assets to meet minimum withdrawal requirements. Similar rules would apply to individuals receiving variable benefit payments under a defined contribution Registered Pension Plan.
    - Providing the *Reaching Home* initiative with \$157.5 million to continue to support people experiencing homelessness during the COVID-19 outbreak. The funding could be used for a range of needs such as purchasing beds and physical barriers for social distancing and securing accommodation to reduce overcrowding in shelters.
    - Supporting women and children fleeing violence, by providing up to \$50 million to women's shelters and sexual assault centres to help with their

capacity to manage or prevent an outbreak in their facilities. This includes funding for facilities in Indigenous communities.

- **Flexibility for Taxpayers**

- In order to provide greater flexibility to Canadians who may be experiencing hardships during the COVID-19 outbreak, the Canada Revenue Agency will defer the filing due date for the 2019 tax returns of individuals, including certain trusts.
  - For individuals (other than trusts), the return filing due date will be deferred until June 1, 2020. However, the Agency encourages individuals who expect to receive benefits under the GSTC or the Canada Child Benefit not to delay the filing of their return to ensure their entitlements for the 2020-21 benefit year are properly determined.
  - For trusts having a taxation year ending on December 31, 2019, the return filing due date will be deferred until May 1, 2020.
- The Canada Revenue Agency will allow all taxpayers to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 2020.
- In order to reduce the necessity for taxpayers and tax preparers to meet in person during this difficult time, and to reduce administrative burden, effective immediately the Canada Revenue Agency will recognize electronic signatures as having met the signature requirements of the Income Tax Act, as a temporary administrative measure. This provision applies to authorization forms T183 or T183CORP, which are forms that are signed in person by millions of Canadians every year to authorize tax preparers to file taxes.
- The Canada Revenue Agency is adapting its *Outreach Program* to support individuals during COVID-19. Through this service, the Canada Revenue Agency offers help to individuals to better understand their tax obligations and to obtain the benefits and credits to which they are entitled. Traditionally available in-person, this service is now available over the phone, and through webinar, where possible.
- The Canada Revenue Agency fully expects that many community organizations are considering whether to significantly reduce or perhaps cancel the provision of services provided under the *Community Volunteer Income Tax Program*. Additional efforts to encourage individuals to file their tax and benefit returns electronically, or where possible, through the *File My Return* service, will be put forward.

- **Role of Financial Institutions**

- In response, banks in Canada have affirmed their commitment to working with customers to provide flexible solutions, on a case-by-case basis, for managing through hardships caused by recent developments. This may include situations such as pay disruption, childcare disruption, or illness. Canada's large banks

have confirmed that this support will include up to a 6-month payment deferral for mortgages, and the opportunity for relief on other credit products.