

Year-end tax tips 2020

December 14, 2020

This year had been like no other and in response to these challenging times, the government had implemented various support programs to assist businesses and individuals. It is important to keep in mind programs that you may be eligible for, but more importantly their respective due dates. The following are some items that you may wish to consider as we wind up the year 2020.

Businesses:

On November 30, 2020, the Minister of Finance and Deputy Prime Minister Chrystia Freeland delivered the 2020 Fall Economic Statement. No changes were announced to corporate income tax rates, the capital gains inclusion rate, or the rate of GST/HST.

Temporary Wage Subsidy (TWS) – 10% wage subsidy

If you qualified for the TWS 10% subsidy and you had not reduced your payroll tax remittances, you will need to fill out the self-identification form (PD27) for CRA to issue a refund. You may submit this online via My Business Account using the link “Submit documents”.

The maximum subsidy is \$1,375 per eligible employee, up to a maximum of \$25,000 for each employer. Please refer to our previous newsletter for eligibility requirements.

While there is no official due date for this form, it is recommended that you submit this as soon as possible to reduce your chances of receiving a discrepancy notice when you file your T4 slips.

Canada Emergency Wage Subsidy (CEWS) – 65% subsidy

The due date for CEWS claims is the later of January 31, 2021 and 180 days after the end of the claim period. This means claim periods 1 through 5 would be due by January 31, 2021.

The Fall Economic Statement on November 30, 2020 proposed a few changes. We will provide more information as it becomes available:

- The government extended the qualifying period of CEWS to June 2021, details of claim periods 11 to 13 have been released (see below). The details for subsequent claim periods will be provided by regulations later.
- A change to the wage subsidy for furloughed employees for the period from December 20, 2020 to March 13, 2021 to be the lesser of:
 - eligible remuneration paid in the week, and
 - the greater of:
 - \$500 and
 - 55% of pre-crisis remuneration up to a maximum subsidy of \$595

- Employers will continue to be entitled to claim their portion of contributions in respect of the Canada Pension Plan, EI, the Quebec Pension Plan and the Quebec Parental Insurance Plan for furloughed employees.
- To change the maximum subsidy rate to 75% by increasing the maximum top-up rate to 35%, for the period between December 20, 2020 to March 13, 2021 (claim periods 11 to 13). The new subsidy rate structure will be as follows:

Revenue decline	Base subsidy	Top-up wage subsidy
70% and over	40%	35%
50-69%	40%	(Revenue decline - 50%) x 1.75
1-49%	Revenue decline x 0.8	0%

Canada Emergency Business Account (CEBA) - \$60,000 loan

The deadline to apply for the \$60,000 CEBA loan or the \$20,000 expansion has been extended to March 31, 2021. Applicants with a \$40,000 CEBA loan may apply for the \$20,000 expansion, and you may apply at the financial institution that provided you with your original CEBA loan. You may be required to submit additional documentation, please contact your financial institution.

You will need to repay the outstanding balance of the loan including the expanded portion (other than the amount available to be forgiven) on or before December 31, 2022, and this will result in a single forgiveness amount of up to \$20,000 based on a blended rate:

25% on the first \$40,000; plus 50% on amounts above \$40,000 and up to \$60,000.

In other words, you must repay \$40,000 by December 31, 2022 in order to achieve the full forgiveness. For more examples, please see the section “Loan Details” from <https://ceba-cuec.ca/>.

Applicants can check the status of their CEBA Loan online at <https://status-statut.ceba-cuec.ca/>.

Canada Emergency Rent Subsidy (CERS)

The first period you may apply covers the period September 27 to October 24, 2020. The due date for each claim is 180 days after the end of the claim period. Your first due date is thus April 22, 2021.

The government extended the qualifying period of CERS to June 2021, details for the claim periods after December 19, 2020 will be confirmed by regulations later. They also confirmed the intention to consider rent payable as rent paid for the purposes of CERS.

Deferral of tax

Corporate earnings in excess of personal requirements could be left in the company to obtain a tax deferral (the personal tax is paid when cash is withdrawn from the company). The effect on the “Qualified Small Business Corporation” status should be reviewed before selling the shares where large amounts of capital have accumulated. In addition, significant corporate passive investment income (more than \$50,000) could limit the small business deduction.

Individuals:

No changes were announced to personal income tax rates, capital gain inclusion rate, or wealth tax.

Working from home

The CRA will allow employees working from home in 2020 due to COVID-19 to claim up to \$400 of expenses, based on the amount of time working from home, without the need to track detailed expenses, and will generally not request that people provide a signed form T2200 from their employers. Details are being communicated by the CRA in the coming weeks.

Canada Child Benefit (CCB)

Families entitled to the Canada Child Benefit will receive four additional tax-free payments in 2021 for children under age 6. Families with income under \$120,000 will receive four payments of \$300 per child under age 6 (\$150 per child under age 6 for those with higher income). The first payment will be made shortly after the legislation is passed, and subsequent payments in the months of April, July and October 2021.

Canada Emergency Response Benefit (CERB)

The CERB was available until September 26, 2020 and the last date to apply retroactively is December 2, 2020.

Canada Recovery Benefit (CRB), Canada Recovery Sickness Benefit (CRSB), and Canada Recovery Caregiving Benefit (CRCB)

The taxes withheld on these payments may be insufficient to cover your taxes on these benefits because the government is only withholding 10% tax. You may wish to set aside funds to cover any additional tax when you file your 2020 personal tax return.

The benefit claw back for the CRB is \$0.50 of every dollar earned in excess of \$38,000.

COVID-19 payment to persons with disabilities

A one-time, non-taxable payment of up to \$600 is available to eligible individuals with disabilities. If the taxpayer currently does not have a valid Disability Tax Credit (DTC) certificate, they can still be eligible for this one-time payment if they are eligible and applies for the DTC certificate by December 31, 2020.

RRSP contributions

If you are 71 years of age at the end of 2020, December 31, 2020 is the last day you can contribute to your RRSP and the deadline for winding up your RRSP.

Your RRSP room is increased by 18% of your 2019 earned income, to a maximum of \$27,230. Please review your CRA My Account or your Notice of Assessment for your contribution limit. The last day to contribute for the 2020 year is March 1, 2021.

RESP contributions

The federal government will pay a Canada Education Savings Grant (CESG) equal to 20% of the first \$2,500 of annual RESP contributions per child (i.e. \$500 annually). Consider contributing before December 31, 2020.

RDSP contributions

There are two government assistance programs for individuals with disabilities: the Canada Disability Savings Grants (CDSGs), which are based on contributions, and the Canada Disability Savings Bonds (CDSBs), which are based on family income. The government may contribute into a RDSP up to a maximum of \$3,500 CDSG and \$1,000 CDSB per year of eligibility. You may wish to contribute before December 31, 2020 to get this year's CDSG.

TFSA investments

If there are any investments that you would like to sell with a TFSA, it is advisable to do so by December 31, 2020 because the contribution room only gets added back once a year on January 1st.

Senior individuals

A senior whose 2020 net income exceeds \$79,054 will lose all, or part, of their Old Age Security pension. Senior citizens will also begin to lose their age credit if their net income exceeds \$38,508. Consider limiting income in excess of these amounts if possible. Another option would be to defer receiving Old Age Security receipts (for up to 60 months) if it would otherwise be eroded due to high income levels.

Selling investments with accrued losses

Please consult your investment advisor if you have any investments with accrued losses that are outside of a registered account (i.e. not in RRSP and TFSA). Given the significant bounce back of the market since March, you may wish to realize some of these losses in 2020 to offset some of the gains. However, be mindful of "superficial loss" rules where losses are denied if the same investment is purchased within 30 days of the sale.

If you have equity investments in, or loans made to a Canadian small business that has become insolvent or bankrupt, an allowable business investment loss (ABIL) may be available. For loans to corporations to be eligible, the borrower must act at arm's length. ABILs can be used to offset income beyond capital gains, such as interest, business, or employment income.