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INTRODUCTION

As the Covid-19 pandemic continues to affect the Canadian economy, the federal government has continued to introduce changes to programs, and introduce new programs, to help individuals and businesses.

The comments below are based on programs and announcements as of January 11th, 2021.

If you have any questions about anything in this newsletter, or I can be of service in helping you with any of these programs, or in any other way, please contact me at (825) 993-5293 or Chris@kayecpa.ca.

INDIVIDUALS

Several measures have been offered to individuals to assist in responding to Covid-19.

EI Temporary Enhancements

Commencing September 27th, the EI program has been **enhanced for one year**.

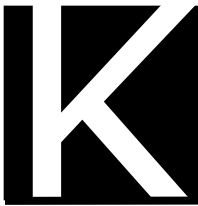
These enhancements include:

- **Reduce** required insurable hours to 120 hours,
- Increase the **minimum** weekly benefits to \$500,
- If the normal calculation (55% of average weekly earnings, to a maximum of \$573) would result in a higher benefit, the higher benefit will be paid,
- Increase **the minimum weeks eligible** for EI to 26 weeks, and
- Special rules exist for individuals receiving EI special benefits.

The existing rules regarding working while on a claim, continue to apply. An individual can earn income of **up to 90% of their prior earnings** while receiving benefits. Above this limit, EI benefits are reduced by \$0.50 for every dollar of earnings.

Application

Most individuals who received CERB through Service Canada were automatically transferred to the new program. Individuals who received CERB through CRA will have to apply to Service Canada.



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All recipients will be required to submit bi-weekly reports.

Repayment

If an individual's net income was more than \$67,750 in 2020, **30% of any amount in excess** must be repaid. This will be done on their 2020 Personal Income Tax Return.

New Benefit Programs

Three new programs, the **Canada Recovery Benefit (CRB)**, the **Canada Recovery Sickness Benefit (CRSB)**, and the **Canada Recovery Caregiving Benefit (CRCB)**,

These programs are only available for individuals who would not otherwise qualify for EI, and will be administered by the Canada Revenue Agency.

Eligibility

All three programs share common eligible criteria:

- Resident in Canada,
- Be at least 15 years old,
- Have a valid social insurance number
- Have **earned income** of at least \$5,000 in 2019 or 2020.

An individual may only claim benefits under **one program at a time** and **cannot claim benefits while on EI** or while receiving short-term benefits from an employer.

Application

Application for the CRB, CRSB or CRCB can be made through CRA.

Taxation

These benefits are **taxable**, and tax will be deducted at 10% at the time of payment. Additional tax may be due when filing the 2020 or 2021 personal tax returns, depending on the individual's marginal tax rate. This could result in **additional taxes owing**.

International Travel

Effective January 3rd, 2021, all international travellers returning to Canada will **not qualify** for the CRB, CRSB, or CRCB.

More detail is expected when the applicable legislation is introduced.

Canada Recovery Benefit (CRB)

The CRB is \$500 per week benefit for up to 26 weeks.

Eligibility

The individual must **not be employed or self-employed for reasons related to Covid-19**, or they must have had a 50% reduction in their average weekly income compared to the previous year due to Covid-19.

Note that individuals who received non-eligible dividends (generally, dividends from private, owner-managed corporations) will qualify for the CRB if they meet the other requirements.

Also, the individual must not have quit their job or reduced their hours voluntarily after September 27th, unless it was reasonable to do so.

Threshold

Individuals who have net income above \$38,000 will be required to **repay** \$0.50 for every dollar earned more than \$38,000.

Canada Recovery Sickness Benefit (CRSB)

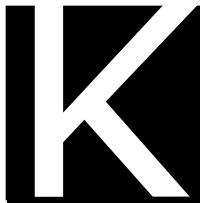
The CRSB is a \$500 per week payment for two weeks for individuals who are unable to work due to **having Covid-19 or were required to self-isolate**.

Eligibility

The individual must:

- Be unable to work for 50% of the time they otherwise would have worked because;
 - They had or might have had Covid-19,
 - They self-isolated on the advice of their employer, doctor, nurse, government or public health authority for any reason related to Covid-19, or
 - They had an underlying condition that, in the opinion of a doctor, nurse, government, or public health authority, would make them more susceptible to Covid-19, and
- Not in receipt of paid leave from an employer.

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Canada Recovery Caregiving Benefits (CRCB)

The CRCB is a \$500 per week benefit for up to 26 weeks for those who are unable to work **due to caring for a child under 12**.

CRCB is restricted to **one** individual per household.

Eligibility

To qualify, the individual must be **unable** to work at least 50% of the time they otherwise would have due to:

- Having to take care of a child who **was under 12 years of age** because:
 - They **had**, or might have had **Covid-19**,
 - Their **school** or **other facility** that they normally attended was **closed**, or open only at certain times, or for certain children for reasons related to Covid-19,
 - They **could not attend a school** or other facilities that they normally attended under the **advice of a doctor** or nurse who is under the option that the child would be at a **high risk of serious health** complications,
 - They were in **isolation on the advice of a doctor**, nurse, government or public health authority, or
 - The individual who **usually provided care** for the child was **not available** for reasons related to Covid-19.

Additional rules exist for providing care to family members **over 19** who require supervised care.

Canada Emergency Response Benefit (CERB)

The CERB program has now ended, with individuals being transitioned to EI and other relief programs.

Repayment

If an individual has received the CERB but later has determined that they do not qualify, they should **repay** them. Information on how to return funds can be found at:

<https://www.canada.ca/en/services/benefits/ei/cerb-application/return-or-repay.html>

Taxation

CERB amounts are taxable; however, the tax has not been deducted at source. Therefore, tax on this income will be due on the filing of the 2020 income tax return.

If CERB amounts are repaid, the amount repaid will qualify for a deduction in the year of repayment.

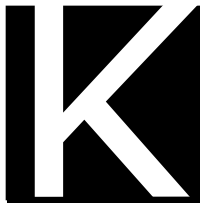
Workspace from Home Deductions

Changes to the workspace in home deduction will allow for more straightforward claims and reduce eligibility requirements for 2020.

In general, for 2020, three options will be available to an employee to claim a Workspace from the Home deduction, a **Temporary Flat Rate Method**, a **Simplified Detailed Method**, and the **Traditional Detailed Method**.

	Temporary Flat Rate Method	Simplified Detailed Method	Traditional Detailed Method
Employer Certification required?	No	Yes – New T2200S	Yes – T2200
Receipts required?	No	Yes	
Eligibility	Working from home due to Covid-19.		Working from home due to an employer requirement.
Amount	\$2/day worked from home, maximum \$400.	Based on the actual amounts paid, pro-rated by square footage used.	
T1 Form	New T777S	New T777S	T777
Can you claim other employment expenses, if eligible?	No	No	Yes
Can the workspace be used for personal purposes	Yes	Yes, pro-rate for hours used	

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CRA has indicated that if the employer has provided the employee with a **choice** to work from home due to Covid-19, they will allow the employee to deduct Workspace from Home Expenses.

Temporary Flat Rate Method (TFR)

Employees who worked more than **50% of the time from home for at least four consecutive weeks** due to Covid-19 can claim **\$2/day**, to a maximum of **\$400**.

Note that if an individual qualifies for the maximum amount, the maximum tax credit will be worth \$22.

Days worked **full or part-time** count for the TFR; however, days off, sick days, vacation days, or other leaves of absences do not count.

If an individual claims using the TFR, they cannot claim any other employment expenses.

Multiple individuals in the **same household** can each claim the TFR method, provided that they each qualify, with no adjustment to the claims.

Eligibility

The employee must have:

- Worked from home **due to the Covid-19 pandemic**,
- Worked **more than 50%** of the time from home for a period of at **least four consecutive weeks** in 2020,
- The employee is **not claiming any other** employment expenses
- The employer did not reimburse all of the employees' home workspace expenses.

Certification

No employer certification is required.

Simplified Detailed Method (SDM)

Eligibility

Eligibility is the same as the TFR method.

Certification

The employer must certify that the employee qualifies on **T2200S**.

Eligible expenses

An employee may claim:

- **Office supplies**, such as toner and paper,
- **Other expenses** (such a pro-rated or direct cell phone costs),
- **Home-office expenses**, limited to a reasonable portion of:
 - Heat
 - Electricity
 - Water
 - Maintenance & repairs
 - Rent
 - Utility portion of condominium fees.
 - Home internet costs
- **Commissioned employees** can also claim a reasonable portion of home insurance and property taxes.

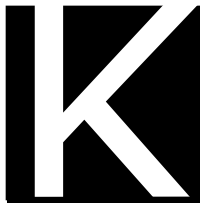
Note that **capital expenses** (computers furniture, headsets, webcams), as well as mortgage interest, mortgage payments or Capital Cost Allowance **cannot** be claimed.

When an employee works from home for only a **portion** of the year, only expenses related to the **time working from home** can be claimed.

Home-office expenses must be pro-rated on the **area of the home used for work** as a percentage of the total residence.

If the area used is **not used exclusively** for working from home, the amount is **reduced based** on the time available to be used (for example 40 hrs out of 168 hrs per week).

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Traditional Detailed Method (TDM)

There are no changes to the TDM compared to the prior year.

Certification

The employer must certify that the employee qualifies on **T2200**.

Eligibility

Eligibility is the **same** as the SDM, if the employee worked from home due to Covid-19.

If an employee worked from home for **reasons other than due to Covid-19**, the employee must be **required** by their employer to incur such expenses, and:

- The home is where the employee **principally** (more than 50% of the time) does their work, or
- The employee uses the space **exclusively** to earn employment income, and it is used on a regular and ongoing basis for meeting clients, customers or other people in the course of performing employment duties.

Eligible expenses

In addition to office supplies, other expenses, and home office expenses as per the SDM, an employee may be able to **claim other expenses**, such as **tools**, an **assistant**, or **automotive expenses**.

GST on Employment Expenses

Employees claiming expenses under the SDM or the TDM will be able to **recover any GST** paid on these expenses.

This rebate is **not available** to employees whose employer is a bank, investment dealer, trust company, insurance company or credit union).

Reimbursements of Employment Expenses

Generally, reimbursement of a personal purchase of equipment used for working remotely would be a taxable benefit; however, for 2020, the acquisition of equipment up to \$500 will be treated as a non-taxable benefit.

BUSINESSES

Canada Emergency Wage Subsidy (CEWS)

The CEWS program provides a rebate of **up to 65%** of eligible **remuneration** paid in a claim period to businesses that have had a **decrease in monthly revenue** as compared to the same month in the prior year. Alternatively, a business can compare monthly revenue to the average revenue in January & February 2020.

Claims are due six months after the end of the month for the applicable claim period, with all claims for periods up to August 31st, 2020, being due January 31st, 2021.

The CEWS program has been extended to **June 2021**.

The CEWS rebate rate varies and is currently **up to 65%** for the December claim period but is scheduled to be **reduced in future periods** as the economy recovers.

Over **2,026,980** applications have been made by 377,640 businesses, providing **\$57 billion** of subsidy benefits.

Alberta Small and Medium Enterprise Relaunch Grant

The Alberta Government has introduced a grant of **up to \$20,000**, divided between two payments, to assist small and medium businesses, as well as other organizations.

Eligibility

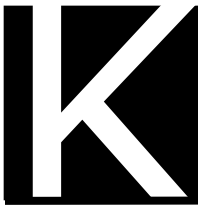
This grant is available to businesses, cooperatives and non-profits that were **ordered to close or curtail operations** as a result of public health orders that were carrying on operations as of February 29th, 2020.

Recent changes allow new businesses that started operations after **March 1st, 2020**, to apply for this grant; further details on this are to be announced.

Use of Funds

These grant funds have **no restrictions** and can be used as the organization needs.

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First Payment

If an organization experienced a **reduction in monthly revenue of at least 30%** in April or May, in comparison to April or May of 2019, or to February of 2020, it would qualify for the first payment. This payment is **15% of one month's** worth of pre-Covid-19 **revenue**, to a maximum grant amount of **\$5,000**.

Second Payment

A second payment is available to organizations operating in a **region affected by the public health orders in effect from November 6th, 2020** and later.

It must have been required to curtail operations by those public health orders.

The amount of this payment is **three times the first approved payment**, to a maximum of **\$15,000**.

Application

Application is done at:

<https://www.alberta.ca/sme-relaunch-grant.aspx>

Please note that I cannot apply for this grant on your behalf.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review of your situations and specifics should be done by a qualified professional.

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