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## INTRODUCTION

Since the Covid-19 crisis at the beginning of March, many programs and measures have been introduced by the **Federal and Provincial Governments**, designed to **support individuals and businesses**. Since then, these programs have been, and continue to be, **changed**, as new details are announced and clarified, and new programs are released. This newsletter summarizes the current programs as of **August 10, 2020**.

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](mailto:Chris@kayecpa.ca)

## BUSINESSES

The Federal government has implemented several measures to assist businesses to improve their cash flow such that they can survive over the coming months. These measures can be classified as **payroll support, rent support, financing, and deferrals of tax payments**.

### Payroll Support

There are three payroll programs available: the **10% Temporary Wage Subsidy (10% WS)**, the **75% Canada Emergency Wage Subsidy (75% CEWS)**, and the **Employment Insurance (EI) Work-sharing Program**. Changes have recently been announced that **extends** the 75% CEWS into the fall. Additionally, some employers may **qualify for this extended CEWS**, which did not qualify previously for the 75% CEWS.

#### 10% Temporary Wage Subsidy (10% TWS)

A **wage subsidy of 10% of wages and salaries** paid between **March 18 and June 19** inclusive, will be recoverable by the employer.

#### *Eligibility*

To be eligible, the company must qualify for the small business deduction.

#### *Subsidy amount*

The subsidy is equal to the least of three amounts, as follows:

- A fixed maximum for each employer of \$25,000
- 10% of the remuneration paid to eligible employees during the period from March 18, to June 19, or
- The number of eligible employees employed during the period from March 18 to June 19, multiplied by \$1,375.

#### *How to claim*

The 10% WS is claimed by **reducing Income Taxes** (but not CPP or EI) **remittances** paid to CRA. There is **no change** to Income Taxes, CPP, or EI deducted from an employee's paycheque. If the subsidy amount is greater than taxes withheld for any pay period, then payroll remittances for subsequent periods can be reduced accordingly.

The 10% WS can also be subsequently claimed, and the subsidy will be transferred to a subsequent payroll period.

#### *Reporting requirements*

CRA has now released a form – **PD27 - Temporary Wage Subsidy Self-Identification Form for Employers**. While there is no filing deadline this form should be completed **prior to** preparing the 2020 T4's, due February 28, 2021.

#### *Tax treatment*

The 10% WS will be included in taxable income.

#### 75% Canada Emergency Wage Subsidy (75% CEWS)

The government has introduced a 75% wage subsidy for eligible employers for up to 12 weeks, retroactive to March 15. This subsidy has subsequently been extended by 12 weeks, to August 29.

As of July 26, 747,610 applications have been approved for 275,000 companies, and \$23.91B in subsidies has been paid out.

#### *Eligibility*

The subsidy is available to eligible employers that see a drop of at least **30% of their revenue**. (15% drop in the month of March). Revenue is measured either

using accrual accounting or a cash basis, but the employer must be consistent once a revenue method has been chosen.

#### *Revenue options*

Two options are available for comparing revenue.

Option 1 is to compare the 2019 to 2020 revenue for the **applicable calendar month**.

Option 2 is to compare the applicable month's revenue to the **average revenue** earned in January and February 2020.

#### *Claim periods*

The table below outlines each claim period and the month for which a decline in revenue would be required:

	Claim Period Start	Claim Period End	Revenue Month
Period 1	March 15	April 11	March
Period 2	April 12	May 9	April
Period 3	May 10	June 6	May
Period 4	June 7	July 4	June
Period 5	July 5	August 1	July
Period 6	August 2	August 29	August

#### *Subsidy amount*

The subsidy for is the **greater of**:

- 75% of the remuneration paid, up to a maximum of \$847 per week, and
- The full remuneration paid, up to a maximum of \$847 per week or 75% of the employee's pre-crisis weekly remuneration whichever is less.

"Pre-crisis remuneration" is the average weekly remuneration paid to the employee between January 1 and March 15, excluding any seven-day periods in respect of which the employee received no remuneration.

For **new arms length employees**, the subsidy will be 75% of salaries and wages paid, not exceeding \$847 per week.

The subsidy amount for business owners and their family members will be limited to the eligible remuneration paid up to a maximum benefit of \$847

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per week or **75% of the employees' pre-crisis weekly remuneration**.

#### *Application*

Application for the 75% CEWS is made through **My Business Account**. If your business is not already registered for My Business Account, you may do so at:

[www.canada.ca/en/revenue-agency/services/e-services/e-services/businesses/business-account.html](http://www.canada.ca/en/revenue-agency/services/e-services/e-services/businesses/business-account.html).

#### *Additional comments*

Employers eligible for the 75% CEWS will be entitled to receive a 100% refunded for employer-paid contributions to CPP and EI, if the employee is **furloughed** for the relevant week.

**Repayments** will be required where the employer does not meet the eligibility requirements and pay their employees accordingly. Penalties may apply in cases of abusive or fraudulent claims.

For employees that are eligible for both the 75% CEWS and the 10% WS, any benefit from the 10% WS would generally **reduce** the amount available to be claimed under the 75% CEWS in that same period.

The 75% CEWS is **not intended to be available** for periods when the **employee** has also collected the Canadian Emergency Response Benefit.

If an employer qualifies for the CEWS and has not yet applied for any qualifying period, the deadline to file an application has been extended to **January 31, 2021**.

Note that the federal government intends to **publish** a listing of all CEWS recipients.

#### *Tax treatment*

The CEWS is included in taxable income on the last day of the claim period, regardless of if the funds have been received.

#### Canadian Emergency Wage Subsidy (CEWS) – Revised Program

On July 17, the government announced changes to the CEWS. These changes include:

- Extending the CEWS to **December 19**,
- Make the subsidy accessible to a **broader** range of employers by including employers with a revenue decline of less than 30%,
- providing a gradually decreasing base subsidy to all qualifying employers, and
- Introducing a top-up subsidy of **up to 25%** for employers that have been **most adversely affected** Covid-19.

#### *Base subsidy for all employers impacted by the crisis*

The base CEWS is a specified rate, applied to the amount of remuneration paid to the employee for the period, on the remuneration of up to \$1,129 per week.

The base subsidy is available to **any employer with a decrease in revenue**. The rate depends on the level of revenue decline, as per following table.<sup>1</sup>

For example, an employer who paid an employee \$1,000 in the 5<sup>th</sup> period, who had a revenue drop of 55%, would receive a subsidy of \$600 (\$1,000 \* 60%). The same employer that had a revenue drop of 25% in period 5 would receive a subsidy of \$300 (\$1,000 \* 1.2 \* 25%).

<sup>1</sup> CEWS – Revised Program – Base Subsidy

	Claim Period Start	Claim Period End	Maximum weekly benefit	Revenue Drop	
				0% to 49%	50% or more
Period 5	July 5	August 1	\$677	1.2 * (revenue drop)	60%
Period 6	August 2	August 29	\$677	1.2 * (revenue drop)	60%
Period 7	August 30	September 26	\$565	1.0 * (revenue drop)	50%
Period 8	September 27	October 24	\$452	0.8 * revenue drop)	40%
Period 9	October 25	November 21	\$226	0.4 * (revenue drop)	20%

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#### *Top-up subsidy for the most affected employers*

In addition to the base subsidy, a **top-up** is available to certain employers. This top-up is based on the **revenue drop in the prior three months** (compared to the same months in the prior year). This top-up is calculated as 1.25 times the average revenue drop, in **excess of 50%** (to a maximum of 25%).

For example, an employer that paid remuneration of \$1,000 and had a revenue drop for the prior three months of 57% (compared to the same three months in 2019) would receive a top-up subsidy of \$87.50 ( $\$1,000 * 1.25 * (57\% - 50\%)$ ).

#### *Base subsidy & top-up*

For the **most affected** employers, that have a revenue drop of 70%, the maximum weekly benefit per employee (base subsidy & top-up):

	Maximum Base subsidy	Maximum Top-up Subsidy	Maximum weekly benefit
Period 5	\$677	\$283	\$960
Period 6	\$677	\$283	\$960
Period 7	\$565	\$282	\$847
Period 8	\$452	\$282	\$734
Period 9	\$226	\$282	\$508

#### *Safe harbour rule (periods 5 and 6)*

For periods 5 and 6, an employer may calculate their CEWS under **either the old program, or new program**, and make the claim for whichever is **greater**.

#### *Calculation of drop in revenue*

For Period 5 and all subsequent periods, an employer is able to use the greater of its percentage revenue decline in the **current period** and that in the **previous period** for the purpose of determining its qualification for the base CEWS and its base CEWS rate in the current period. This is a continuation of the rules for Periods 1 to 4 that allowed an employer that met the revenue test in one period to qualify for the following period automatically.

Employers that have elected to use the **alternative approach** for the first 4 periods, and calculate their drop in revenue based on the average of January and February 2020 revenue, will be able to either **maintain** that election for Period 5 and onward or

**revert** to the general approach, calculating their drop in revenue based on the same month in the prior year, or vice versa. Whichever approach they choose would apply for Period 5 and onward and would apply to the calculation of the base CEWS and the top-up CEWS. This would provide flexibility for employers to adjust their approach in light of new circumstances they may be experiencing as the CEWS is extended.

#### *Tax treatment*

The CEWS is included in taxable income on the last day of the claim period, regardless of if the funds have been received.

#### Employment Insurance Work-sharing Program

The Work-Sharing Program, which provides **EI benefits** to works who **agree to reduce** their normal working hours (from a 10% to a 60% reduction) as a result of developments beyond the control of their employers, is not a new program. However, it has been broadened as a consequence of Covid-19.

#### *Eligibility*

In general, the employer must have experienced a recent **decline in business activity of at least 10%** to be eligible for the program. Effective March 15 the maximum duration of such agreements was extended from 38 weeks to 76 weeks, eligibility requirements were eased, and the application process has been streamlined.

The employer must (among other requirements):

- Be a year-round business in Canada in operation for at least one year, and
- Have at least two employees in the work-sharing unit.

Employees must:

- Be year-round, permanent, full-time or part-time employees needed to carry out the day-to-day functions of the business,
- Be eligible to receive EI benefits, and
- Agree to reduce their regular working hours by the same percentage and to share the available work.

Employee eligibility has been extended to employees considered essential to the recovery and viability of the business.

#### *Application*

Application for the EI Work-sharing program is done through Service Canada.

## **Rental support**

### Canadian Emergency Commercial Rent Assistance (CECRA)

Small businesses with **monthly rents** of less than \$50,000 will be eligible for a **75% reduction** in rent from April to August. 50% will be covered by the **federal government**. The remaining 25% will be covered by the **landlord**.

#### *Application*

A **joint application** by the landlord and tenant must be made through the Canadian Mortgage and Housing Corporation.

## **Financing**

Three financing programs are available due to Covid-19:

- **Canada Emergency Business Account (CEBA).** This provides interest-free loans of up to \$40,000 to small businesses to help cover operating costs during a period when revenues have been temporarily reduced.
- **Loan guarantee for small and medium-sized enterprises.** EDC is working with financial institutions to issue new operating credit and cash flow term loans of up to \$6.25 Million
- **Co-lending program for small and medium-sized enterprises** – BDC is working with financial institutions to co-lend term loans to small and medium enterprises for their operational cash flow requirements. An eligible business may obtain incremental credit amounts of up to \$6.25 Million.

### Canada Emergency Business Account (CEBA)

The CEBA is an **interest-free line of credit** of up to **\$40,000**. If the balance is **repaid** on or before December 31, 2021, 25% of the amount will be **forgiven**, up to \$10,000.

#### *Eligibility*

In order to qualify, the borrower must:

- Have a Canadian operating business as of March 1,
- Have a federal tax registration,
- Have total employment income in the 2019 calendar year of between \$20,000 and \$1.5M,
- Have an active business account with the lender, opened before March 1,
- Not in arrears on existing borrowing facilities with the lender by more than 90 days as of March 1,
- Not previously used the program, and
- Acknowledges its intention to continue to operate the business or resume operations.

Additionally, borrowers that had \$20,000 or less in total employment income in the 2019 calendar year, they must:

- Have filed a 2018 or 2019 tax return, and

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- Have eligible non-deferrable expenses of between \$40,000 and \$1.5M.

#### *Eligible non-deferrable expenses*

Eligible non-deferrable expenses include the following:

- Wages and other employment expenses to independent (arm's length) third parties,
- Rent or lease payments for real estate used for business purposes,
- Rent or lease payments for capital equipment used for business purposes,
- Payments incurred for insurance-related costs,
- Payments incurred for property taxes,
- Payments incurred for business purposes for telephone and utilities in the form of gas, oil, electricity, water and internet,
- Payments for regularly scheduled debt service,
- Payments incurred under agreements with independent contractors and fees required in order to maintain licenses, authorizations or permissions necessary to conduct business by the borrower, and
- Payments incurred for materials consumed to produce a product ordinarily offered for sale by the borrower.

#### *Application*

Application for the CEBA is made at your primary **financial institution** no later than August 31.

#### *Reporting requirements*

If a borrower applies under the non-deferrable expense stream, they will be required to submit supporting documentation to CRA to support these expenses electronically.

#### *Tax treatment*

25% of the loan amount, up to \$10,000 will be treated as taxable income in the year received. If the company is subsequently required to repay this amount because it does not qualify for the loan, a deduction will be allowed in the year repaid.

### **Deferral of tax payments and fillings**

#### Income taxes

Deadlines for payment of corporate income tax payable under **Part I of the Income Tax Act** that

becomes due on or after March 18, (including installments) and before October are deferred to **September 30**. No interest will accumulate on these amounts during this period.

This **does not extend** to amounts that are **past due**.

Taxpayers may defer many other required filings that are due after March 18, including corporate income tax returns.

#### Payroll remittances

Payroll remittances have **not been deferred** and must continue to be paid on time (subject to reductions for the 10% WS as outlined above).

#### GST

Any GST which was due from March to June has been **extended to June 30**. This includes any instalment payments that were due.

This does not extend to amounts that are past due.

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## Individuals

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A number of measures have been offered to individuals based on various criteria

### One-Time Payments

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#### Special GST Credit payment

A one-time special payment through the **Goods and Services Tax Credit** (GSTC) was made on April 9. This doubled the maximum annual GSTC and resulted in an average payment for those benefiting by close to **\$400** for single individuals, and close to **\$600** for couples. Some individuals and families qualified did qualify for this credit, who normally did not qualify for the GSTC.

#### *Tax treatment*

This benefit is non-taxable.

#### Special Canada Child Benefit

A one-time special payment of Canada Child Benefits of **\$300 per child** was paid in May. No application was required.

#### *Tax treatment*

This benefit is non-taxable.

#### Seniors Payment

A one-time special payment of **\$300** or **\$500** was made on July 6. This was for seniors who received either the Old Age Pension and Guaranteed Income Supplement in June. No application was required.

#### *Tax treatment*

This benefit is non-taxable.

### Benefit Programs

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#### Canada Emergency Response Benefit (CERB)

The government has introduced a benefit of **\$2,000 per person, per claim period**, to individuals who have lost or had a substantial reduction in their earnings due to Covid-19, for up to 16 weeks. This benefit has subsequently been extended for 24 weeks, to October 3.

As of July 19, CRA has processed **21.40M** applications by **8.40M** unique applicants. The total amount paid is **\$61.26B**. Alberta had **1.01M** unique applicants.

#### *Eligibility*

To be eligible, the applicant must:

- Be at least 15,
- Be resident in Canada,
- Have stopped working because of Covid-19, or be eligible for EI regular or sickness benefits, or have exhausted their EI benefits between December 29 and October 3,
- Not have quit their job voluntarily,
- Have employment or self-employment income of at least \$5,000 in 2019 or in the 12 months prior to the date of the application.

#### *Earnings while claiming CERB*

When submitting their first claim, they cannot have earned more than **\$1,000 in employment and/or self-employment income** for **14 or more consecutive days within the four-week claim period**.

On subsequent claims, they cannot have earned more than **\$1,000 in employment and/or self-employment income** for the entire four-week claim period.

Employment and self-employment income included **tips earned when working, non-eligible dividends, and honoraria**.

Specifically, **non-eligible dividends** do qualify as income. These dividends are typically paid from small owner-managed companies, and as such if you received such a dividend in 2019, and subsequently stopped working as a result of reasons related to Covid-19 and received less than \$1,000 in income for at least 14 consecutive days in the initial 14 day period (or \$1,000 in subsequent periods), you will qualify.

Also note that generally, **rental income** is considered property income, and so **would not qualify** towards either the \$5,000 employment or self-employment income in 2019. However, property income received in excess of \$1,000 in a claim period will not disqualify a person from receiving the CERB.

#### *Claim periods*

The 4-week **claim periods** are the same periods as for the CEWS.

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#### *Application*

Application is made either through **Service Canada** or the **CRA**, depending on if the person was on EI prior to the claim.

More information and application is available at:

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

#### *Tax treatment*

The CERB is taxable, it will be included in the **taxpayer's income for 2020**, and that, unlike regular employment or EI income, income taxes have **not been deducted at source**. Therefore, an individual who receives CERB may, depending on their gross income for 2020, have taxes **payable** by April 30, 2021. It would be prudent to plan for these taxes payable.

Information slips for this income will be provided by CRA in early 2021.

#### Canada Student Benefit (CESB)

The government has introduced a benefit of **\$1,250 per student, per claim period** to students in **post-secondary**, and **recent graduates** of post-secondary and high school.

This benefit is only available to students who do not qualify for the CERB or EI.

#### *Eligibility*

To be eligible, the student must:

- Be a Canadian citizen,
- Registered Indian
- Permanent resident, or
- Protected person (recognized by the Immigration and Refugee Board of Canada)

The CESB is available to students studying in Canada or abroad.

One of the following must apply to the student:

- Enrolled in a post-secondary education program (at least 12 weeks) that leads to a degree, diploma or certificates
- Completed or ended your post-secondary studies in December 2019 or later
- Completed or expect to complete high school, and applied for a post-secondary education program that starts before February 1, 2021

One of the following must apply:

- They are unable to work due to Covid-19
- They are looking for, but unable to find work due to Covid-19
- They are currently working, but your income from employment and self-employment is less than \$1,000 during the claim period.

An additional top of \$750 is available if the student has a child under the age of 12, or defined disability.

#### *Application*

An application can be done on CRA My Account, or by phone (1-800-959-2019), and must be done for each 4-week claim period

#### *Tax treatment*

The CESB is taxable.

#### Deferral of tax payments and fillings

Payment deadlines for income tax amounts that become due on or after March 18 and before October are **deferred to September 30**.

This does **not** extend to amounts that are past due.

CRA has **cautioned** that an individual must file their 2019 Income Tax Return by **early September 2020** in order to continue to receive several Income Tax Benefits and Credits, including the GST credit and Canada Child Tax Credit. Additionally, if a 2019 Income Tax Return is not filed, the individual may have to **repay these benefits and credits**.

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## ALBERTA GOVERNMENT RESPONSES

The Government of Alberta has accelerated the **corporate income tax cuts**, introduced a new **grant** available to businesses, and made **changes** to several other programs and laws, in response to Covid-19.

### Alberta Corporate Tax Cuts

The government of Alberta has **accelerated** the reduction in the Alberta General Corporate Tax rate to **8%**, from 9%, effective July 1.

#### *What income does this apply to*

This applies to all taxable income in Alberta that is **not subject to the Small Business Deduction**. The Small Business Deduction results in the first \$500,000 of corporate taxable income being taxed at 2%, with any income in excess taxed at 8% (previously 9%).

#### *What about the Alberta Dividend Tax Credit?*

The government is expected to adjust the dividend tax credit available personally on eligible dividends, but has not yet done so.

#### *Pro-rata of tax rate*

This reduced corporate tax rate will be applied to corporate taxable income on a **prorate** basis for yearends that include periods before, and after, July 1.

### Small and Medium Enterprise Relaunch Grant

A **grant**, of up to **\$5,000** to eligible small and medium-sized businesses to **fund a portion of their relaunch costs**, has been made available.

This grant is for a business that experienced a **revenue reduction of at least 50%**, as a result of the Covid-19 pandemic.

Eligible businesses can apply for 15% of their pre-COVID-19 revenue, up to a **maximum of \$5,000** in funding.

#### *Use of funds*

Businesses can use these funds as they see fit to help **offset a portion of their relaunch costs**, such as

implementing measures to minimize the risk of virus transmission, which could include:

- physical barriers,
- purchasing personal protective equipment and disinfecting supplies,
- paying rent and employee wages or
- replacing inventory.

#### *Eligibility*

Business must:

- be registered under the business corporations act of Alberta,
- maintain a permanent establishment in Alberta,
- Carrying on a business in Alberta on February 29,
- Have less than 500 employees,
- Have been ordered to temporarily close or curtail operations through a Covid-19 health order,
- Have experienced a reduction in revenue of at least 50% in April or May, as compared to 2019, or February 2020, and
- Are open or plan to reopen as public health orders are lifted.

Organizations with **multiple** Alberta permanent physical establishments that have seen revenue reduction are **eligible** to apply for funding for **each establishment**.

#### *Application*

Application is available until **August 31** (or four weeks following the start of Alberta's Phase 3 relaunch strategy) and can be done online at:

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

### Temporary workplace rule changes

Several employment rules have been changed **temporarily** to respond to Covid-19.

#### Covid-19 leave

All employees who are in quarantine are **eligible** for 14 days of unpaid leave.

- All employees are eligible **regardless** of their length of service.
- Employees can take this leave **more than once**.
- Employees can take this leave, and any other job-protected leave, more than once,

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- Employers and employees may explore alternate work arrangements, such as working from home.

Employees need to provide **written** notice to their employer as soon as **possible** and reasonable in the circumstances when they are taking this leave. Employees **don't need a medical note** in order to access this job-protected leave, or to return to work, and don't need to give written notice when they decide to go back to work.

#### Personal and family responsibility leave

Employees are entitled to **job-protected** leave for a period of time that is necessary to meet the **employee's family responsibilities** to care for ill or self-isolated family members, or children affected by school and daycare closures and can access this leave until August 14.

#### Temporary layoffs

The maximum time for **temporary layoffs** related to COVID-19 that occurred on or after June 18 or were underway as of June 18 is **180 consecutive days**.

At the end of this period, an employee would be considered dismissed.

#### Workers Compensation Board

All private-sector employers will have their 2020 WCB premiums **deferred** until **2021**. Small and medium-sized private sector employers will have **50%** of their 2020 premiums **waived** when invoiced in 2021.

As part of this, any **installments** paid in 2021 for WCB premiums have been **refunded**. Any further installment payments for 2020 should not be made.

Additionally, employees may be **covered** by WCB if they **contract Covid-19 while at work**.

#### Deferral of tax payments and filings

The Alberta Government has **extended** the filing deadlines for Alberta Corporate Tax Returns to:

- **June 1** for AT1 returns due after March 18 and before June 1,
- **September 1** for AT1 returns due in June, July or August.

Alberta businesses with **corporate income tax** balances that become owing on or after March 18 or **instalment** payments coming due between March 18 and August 31 can **defer** making these payments until August 31.

#### CRA ISSUES

Canada revenue agency, like many employers, is operating at reduced capacity. Many employees are working from home, on temporary leave, or have been reassigned from normal operations to implement and process programs related to Covid-19. This has had significant disruptions on normal operations.

CRA has indicated that most audit and collections activities are on hold, and expected to slowly restart though August and September. Priority will be given to processing returns and claims that will result in refunds payable to individuals and small businesses. It may be several months until normal operations resume fully.

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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