

# Canada's COVID-19 Economic Response Plan: Support for Canadians and Businesses

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From: Department of Finance Canada

## Backgrounder

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On March 18, 2020, the Prime Minister announced a new set of economic measures to help stabilize the economy during this challenging period. These measures, delivered as part of the Government of Canada's COVID-19 Economic Response Plan, will provide up to \$27 billion in direct support to Canadian workers and businesses.

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# Support for Canadians

## 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.

Application for the Benefit will be available in April 2020, and require Canadians to attest that they meet the eligibility requirements. They will need to re-attest every two weeks to reconfirm their eligibility. Canadians will select one of three channels to apply for the Benefit:

1. by accessing it on their CRA MyAccount secure portal;
2. by accessing it from their secure My Service Canada Account; or
3. by calling a toll free number equipped with an automated application process.

## Longer-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. This was announced by the Prime Minister on March 11, 2020.

## **Income Support for Individuals Who Need It Most**

For over 12 million low- and modest-income families, who may require additional help with their finances, the Government is proposing to provide a one-time special payment by early May 2020 through the Goods and Services Tax credit (GSTC). This will double the maximum annual GSTC payment amounts for the 2019-20 benefit year. The average boost to income for those benefitting from this measure will be close to \$400 for single individuals and close to \$600 for couples. This measure will inject \$5.5 billion into the economy.

For over 3.5 million families with children, who may also require additional support, the Government is proposing to increase the maximum annual Canada Child Benefit (CCB) payment amounts, only for the 2019-20 benefit year, by \$300 per child. The overall increase for families receiving CCB will be approximately \$550 on average; these families will receive an extra \$300 per child as part of their May payment. In total, this measure will deliver almost \$2 billion in extra support.

Together, the proposed enhancements of the GSTC and CCB will give a single parent with two children and low to modest income nearly \$1,500 in additional short-term support.

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. This relief would apply to tax balances due, as well as instalments, under Part I of the *Income Tax Act*. No interest or penalties will accumulate on these amounts during this period.

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**

The Minister of Finance is in regular contact with the heads of Canada's large banks, and continues to encourage them to show flexibility in helping their customers whose personal or business finances are affected by COVID-19. The Superintendent of Financial Institutions has also made clear his expectation that banks will use the additional lending capacity provided by recent government actions to support Canadian businesses and households.

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. These targeted measures respond to immediate challenges being faced across the country and will help stabilize the Canadian economy.

## **Mortgage Default Management Tools**

The Canada Mortgage and Housing Corporation (CMHC) and other mortgage insurers offer tools to lenders that can assist homeowners who may be experiencing financial difficulty. These include payment deferral, loan re-amortization, capitalization of outstanding interest arrears and other eligible expenses, and special payment arrangements.

The Government, through CMHC, is providing increased flexibility for homeowners facing financial difficulties to defer mortgage payments on homeowner CMHC-insured mortgage loans. CMHC will permit lenders to allow payment deferral beginning immediately.

## **Support for Businesses**

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

On March 13, 2020, Minister of Finance Bill Morneau, Governor of the Bank of Canada Stephen Poloz, and Superintendent of Financial Institutions Jeremy Rudin outlined a coordinated package of measures to support the functioning of markets, the resilience of our financial sector, and continued access to financing for Canadian businesses. These actions will significantly increase the availability of credit to businesses of all sizes, sustain liquidity in key financial markets, and provide flexibility to businesses experiencing hardship.

On March 18, 2020 the government and its partners announced further measures to support businesses. These actions are part of Canada's whole-of-government response to COVID-19, and the significant stimulus program developed to stabilize Canada's economy, support businesses and to protect Canadians.

## **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.

This will allow the government to provide additional support to Canadian companies through loans, guarantees or insurance policies during these challenging times.

## **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.

## **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. This relief would apply to tax balances due, as well as instalments, under Part I of the *Income Tax Act*. No interest or penalties will accumulate on these amounts during this period.

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. For the vast majority of businesses, the Canada Revenue Agency will temporarily suspend audit interaction with taxpayers and representatives.

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. This will be an effective tool for helping viable Canadian businesses remain resilient during these very uncertain times. BDC and EDC are cooperating with private sector lenders to coordinate on credit solutions for individual businesses, including in sectors such as oil and gas, air transportation and tourism. The near term credit available to farmers and the agri-food sector will also be increased through Farm Credit Canada.

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 in light of the negative shocks to Canada's economy arising from the COVID-19 pandemic and the recent sharp drop in oil prices.

## **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. Details of the terms of the purchase operations will be provided to lenders by CMHC later this week.

The IMPP enhances the already substantial set of measures announced on March 13 to support the economy and the financial system. CMHC stands ready to further support liquidity and the stability of the financial markets through its mortgage funding programs as necessary.

Further, the Bank of Canada has announced that it will adjust its market liquidity operations to maintain market functioning and credit availability during the current period of uncertainty in which conditions are evolving rapidly.

The Bank of Canada also announced that it will broaden eligible collateral for its term repo facility to include the full range of collateral eligible under the Standing Liquidity Facility, with the exception of the non-mortgage loan portfolio. This expansion of eligible collateral will provide support to funding conditions for financial institutions by providing a backstop to regular private funding.

The Bank also announced that it stands ready, as a proactive measure, to provide support to the Canada Mortgage Bond (CMB) market so that this important funding market continues to function well. This would include, as required, purchases of CMBs in the secondary market. Similar to the [increase in Government of Canada bond buybacks](#), this will support market liquidity and price discovery.

# Economic Response Plan – Cost and Implementation

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Measure	2020-2021 Cost/Impact	Implementation
Emergency Care Benefit	Up to \$10 billion	Early April *requires Royal Assent
Emergency Support Benefit	Up to \$5 billion	Early April *requires Royal Assent
GST Credit	\$5.5 billion	By Early May *requires Royal Assent
Enhanced Canada Child Benefit	\$1.9 billion	May * requires Royal Assent
Temporary Business Wage Subsidy	\$3.8 billion	Immediately Supporting legislation to follow
Canada Student Loan Payments	\$190 million	Early April * requires Royal Assent
Support for Indigenous Communities	\$305 million	April *requires Royal Assent
Support for people experiencing homelessness (through Reaching Home)	\$157.5 million	April *requires Royal Assent
Support for women’s shelters and sexual assault centres including on reserve	\$50 million	April *requires Royal Assent
Lower Registered Retirement Income Fund Minimum Withdrawal Amounts	\$495 million	Immediately Supporting legislation to follow
<b>Total</b>	<b>\$27.4 billion</b>	
<b>Other supports</b>		
Flexibility for individual and corporate taxpayers (tax payment deferral until September)	\$55 billion	Immediately

<b>Business Credit Availability Program (BCAP) through BDC and EDC</b>	\$10 billion +	Immediately
<b>Credit and liquidity support through financial Crown corporations, Bank of Canada, OSFI, CMHC and commercial lenders (e.g., Domestic Stability Buffer, Insured Mortgage Purchase Program, Banker's Acceptance Purchase Facility)</b>	In the range of \$500 billion	Immediately

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