

# Summary of Outstanding COVID-19 Tax Issues

(Excluding the Canada Emergency Wage Subsidy)

**Current as of June 1, 2020**



We have received many emails from members and others in the business and tax community highlighting tax issues and questions arising from the COVID-19 pandemic.

Since so many questions and issues arose on the Canada Emergency Wage Subsidy (CEWS), we have dealt with those issues in a [separate summary](#) that has recently been updated to incorporate the responses received. In addition, in light of the passage on April 11 of Bill C-14, which included legislation to enact the CEWS, a third issues summary is being created to track queries in relation to interpretation of the statutory provisions.

We have summarized the feedback received which has been communicated to the federal government in key themes. We have excluded feedback and questions where the government has already responded, such as issues related to filing and payment deadline extensions. Another common concern was the omission of proprietorships and partnerships for the Temporary Wage Subsidy, but this issue was resolved in Bill C-13.

Items marked "new" have been added since May 4, 2020. An update has been provided for the items that were included in the May 4 or the April 20, 2020 version where available.

The CRA has added a phone number for CERB and CEWS questions (1-833-966-2099) and updated the CERB FAQs.

For more information:

- [Click here for the updated CERB FAQs](#)

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## Feedback and Update on Deadlines Generally

We have received many emails regarding deadline specific issues. Most of these issues were clarified with the recent federal government filing and payment extension announcements. Some updates are summarized below along with a few outstanding issues. More recently, we were informed that further deadline extensions are needed. A new section has been added below.

**[NEW]** - On May 19, 2020, the Minister of Justice released the proposed *Time Limits and Other Periods Act (COVID-19)*, which applies to a broad range of actions against the Crown under various statutes. The legislative proposals aim to address the need for flexibility in time limits and other periods under federal legislation because of exceptional circumstances due to COVID-19. Their purpose would therefore be to temporarily suspend some time limits and allow others to be suspended or extended where these circumstances may make compliance difficult or impossible, and to extend other periods so that their expiration does not produce unfair or undesirable effects. For purposes of the *Income Tax Act*, deadlines to file notices of appeal, normal reassessment periods and timelines for SRED claims are all potentially impacted.

### **Income tax filings**

Extensions announced in March 2020

Before dealing with specific issues, we did want to highlight the federal government's rationale for their March extension announcement for income tax filings. During

discussions with the Canada Revenue Agency (CRA), they stated that they wanted to communicate that deadlines were broadly extended to June 1, 2020 unless specific reference was made to another date (for example, May 1 for partnerships, trusts and NR4s) or no extension applied (e.g. SRED claims). Reference should be made to the March 26, 2020 and April 17, 2020 CRA stakeholder emails. In terms of income tax forms and filings, the main outstanding issue is whether an extension will be allowed for SRED claims.

#### CRA Announcements on May 22 and May 25, 2020

On May 22, 2020, the CRA announced relief from interest and penalties, including late-filing penalties for 2019 personal (T1) returns provided that the return is filed by September 1, 2020 and taxes are paid. This relief applies to T1 returns due on June 1, 2020 and on June 15, 2020 for self-employed individuals and their spouses/partners. The CRA also announced that personal tax instalments due on June 15, 2020 will now be due on September 1, 2020.

On May 25, 2020, the CRA announced tax filing extensions for corporation (T2) and trust (T3) tax returns that were otherwise due in June, July and August 2020. These returns will now be due on September 1, 2020. For T2 returns, this includes returns otherwise due on June 1, 2020 due to the March announcement. For 2020 trust returns, returns due on March 31, April and May had previously been extended to June 1. As the due dates for forms T1135 and T106 for corporations are linked to the T2 or T3 filing due date, the due date for these forms has also been extended to September 1.

[On June 1, 2020, the CRA further clarified the various tax filing extensions in an updated tax deadline summary.](#)

In summary:

- Since May 31 is a Sunday this year: if a filing deadline would normally fall on May 31, it will be treated as a Monday, June 1 deadline. Therefore, any extensions that apply to filings with deadlines in June will also apply to those that originally have deadlines by May 31. For example, if a T2 corporation has a fiscal year-end of November 30, its T2 return would normally be due May 31. This year it will be treated as a June 1 deadline, and the filing extension to September 1 will be applicable. The CRA will not apply late-filing penalties or interest if such a corporation files its return and pays its balances owing by September 1.

- The filing date for 2019 T5013 partnership information returns has been extended to September 1 for partnerships that normally have a filing deadline on May 31, or in June, July, or August.
- The filing date for T3 returns has been extended for returns otherwise due on May 31, or in June, July or August.
- The filing date for other information returns, elections, designations, and information requests that would have been due on May 31, 2020, or in June, July, or August 2020 has been extended to September 1.
- A reference to “otherwise due” does not include returns and filings due on June 1, 2020 due to the March extension. Therefore, the due date for returns and other filings due on June 1, 2020 as a result of the March extension remained unchanged.

Similar extensions and relief have been announced in Quebec.

Alberta confirmed that further to the tax relief measures announced previously, the filing deadlines for Alberta Corporate Income Tax Returns (AT1) have been extended to:

- June 1, 2020 for AT1 returns due after March 18, 2020 and before June 1, 2020
- September 1, 2020 for AT1 returns due in June, July or August 2020.

In [Special Notice Vol. 5 No. 57](#) (revised on May 28), Alberta confirmed that the filing deadline for an AT1 that would otherwise have a filing deadline of May 31, 2020 is extended to September 1, 2020 since May 31 fell on Sunday.

The filing deadline for a Notice of Objection (AT97) has been extended to June 30, 2020 if it would otherwise have been due after March 18 and before June 30, 2020.

**UPDATE:**

- [Click for details of announced extensions of filing and payment deadlines](#)
- [CRA's announcement extending filing deadlines for corporations and trusts - May 25](#)
- [Revenu Québec's announcement extending filing deadlines for corporations and trusts - May 25](#)
- [Special Notice Vol. 5 No. 57 - Extension to Alberta Corporate Income Tax Return \(AT1\) Filing Deadline \(updated May 28, 2020\).](#)
- We understand that an extension or other late-filing relief for SRED claims is under review. Relief will be possible when the Time Limits and Other Periods Act (COVID-19) becomes law.
- **[NEW]** On May 15, 2020, CRA announced that benefit payments will continue for an additional three months for those who are not able to file their 2019 returns on time. Eligible Canadians who are presently receiving the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit and/or the Canada child benefit (CCB) will continue to receive these payments until the end of September 2020.

**Income tax payment extension** — The main unresolved issue for income tax payments is whether the payment extension for income tax applies to taxes for corporations outside of Part I, such as Part IV and Part VI.1. The latest statement by the federal government refers to Part I tax only. Similarly, some had asked for more clarity around Part XII.2 tax for trusts (the CRA currently refers to income tax balances for trusts).

**UPDATE:**

- No extension announced for tax payment deadlines outside of Part I tax.
- Confirmation in stakeholder message on April 17: *We are allowing all businesses to defer, until September 1, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief would apply to tax balances due, as well as instalments, under Part I of the Income Tax Act.*

**GST filings and payments** — On GST, the government decided that there will not be a specific deadline extension for GST returns despite the fact that the deadline for remitting GST was extended to the end of June 2020 for amounts that became owing on or after March 27, 2020. However, it was stated that “the CRA won’t impose penalties where a return is filed late provided that it is filed by June 30th”.

**UPDATE:**

- [Click for details on the deferral of GST/HST Tax Remittances](#)
- CRA acknowledged that penalties and interest charges have been assessed against GST/HST returns processed during the first two weeks of April. Their IT systems have been updated to reflect the deadline extensions, and they are looking into the issue. We have asked CRA to advise on what taxpayers should do if they have been assessed penalties and interest in this situation.
- April 17 update confirming same payment deadline extension as well as noting that the deadline for businesses to file their GST/HST returns is unchanged. Those who are able to, should continue to file their GST/HST returns on time. However, recognizing the difficult circumstances, the CRA will not impose penalties where a return that was due to be filed between March 27, 2020 and June 30, 2020 is filed by June 30th, 2020.

**Other tax payments** — Unless specifically referred to, the due date for other tax payments has not been extended, such as the deadline for Part XIII tax or payroll source deductions. We understand that extensions are not being contemplated for these amounts. Note that eligible employers who pay salary, wages, or taxable benefits to employees, between March 18, 2020 and June 19, 2020, can reduce payroll remittances of federal, provincial, or territorial income tax by the amount of the 10% temporary wage subsidy. This measure is only applicable to remittances made to the CRA.

**UPDATE:**

- No other payment extensions have been introduced.



## Additional Updates

**Part XVIII and Part XIX Information Returns** — On April 15, the CRA announced that it will allow filers to defer, until September 1, 2020, the filing of information returns under Part XVIII and Part XIX of the ITA. No interest or penalty will be assessed during this period.

In addition, no penalty will apply for failure to obtain a self-certification on financial accounts opened before January 1, 2021. The CRA is updating its [Guidance on the Canada-U.S. Enhanced Tax Information Exchange Agreement](#) and its [Guidance on the Common Reporting Standard](#) to reflect this change and expects to publish the guidance within the coming weeks.

**Income Tax Objections** — Any objections related to Canadians' entitlement to benefits, credits, GST/HST refund claims, and Scientific Research and Experimental Development claims, have been identified as a critical service which will continue to be delivered during COVID-19. As a result, there should not be any delays associated with the processing of these objections. With respect to objections related to other tax matters filed by individuals and businesses, the CRA is currently holding these accounts in abeyance. No collection action will be taken with respect to these accounts during this period of time.

For any objection due between March 18, 2020 and June 30, 2020, the deadline is effectively extended until June 30, 2020.

**Income Tax Appeals** – **[NEW]** On April 17, 2020, the Tax Court of Canada ordered the further extension of timelines prescribed by the rules of that Court while it is closed for business until May 29, 2020. On May 19, 2020, the Minister of Justice released the proposed Time Limits and Other Periods Act (COVID-19), which applies to a broad range of actions against the Crown under various statutes, including the *Income Tax Act*. On May 20, 2020, the Tax Court of Canada further cancelled all sittings and conference calls scheduled between June 1, 2020 and up to July 3, 2020, inclusively. On May 27, 2020, the Tax Court of Canada further cancelled all Tax Court of Canada sittings and conference calls scheduled between July 6, 2020 and up to July 17, 2020. At this time, sittings that are scheduled beyond August 17, 2020 will proceed. Please note that should circumstances allow for the resumption of the Court's operations in the coming weeks, the Court will sit during the 4-week summer recess and appeals will be scheduled between July 20 and August 13, 2020. In addition, an amended Practice Direction and Order was issued.

For more information:

- [Tax Court of Canada's Practice Direction and Order dated April 17, 2020](#)
- [Tax Court of Canada's Notice to the Public and the Profession dated April 17, 2020](#)
- [Draft Legislative Proposals Regarding Time Limits and Other Periods in Circumstances Due to COVID-19](#)
- [Tax Court of Canada's Notice to the Public and the Profession dated May 20, 2020](#)
- [Tax Court of Canada's Notice to the Public and the Profession dated May 27, 2020](#)
- [Tax Court of Canada's Amended Practice Direction and Order dated May 27, 2020](#)

**Audit & Enforcement Activity** — Generally, the CRA will not start new audits or ask taxpayers currently under audit for information until further notice and audits will only be finalized and reassessments issued in exceptional circumstances. Taxpayer-requested adjustments will be reviewed and processed on a priority basis. The GST/HST Refund Integrity Program will continue operating to make sure GST/HST credits are not delayed unnecessarily.

**Reassessments** — In the very limited situations where the CRA intends to process a reassessment, the taxpayer may sign a [T2029 Waiver in respect of the normal reassessment period or extended reassessment period](#) in order to provide representations, unless the reassessment would be affected by deadlines under a tax treaty. **[NEW]** -- The proposed *Time Limits and Other Periods Act (COVID-19)*, released May 19, 2020, will impact normal reassessment periods.

**Requirements for information (RFI)** — Generally, taxpayers who have received an RFI can choose to defer acting on the requirement until further notice.

**Transfer Pricing documentation** — For transfer pricing audits, requests for contemporaneous documentation made prior to April 1, 2020 having a deadline of March 18, 2020 or later will be considered cancelled and will be re-issued at a later date, providing the maximum amount of time of 3 months to submit the documentation.

**Advanced Pricing Arrangements (APA) and Mutual Agreement Procedures (MAP)** — Taxpayers with APAs and MAPs may experience delays since the CRA's efforts are focused on critical workloads. If taxpayers ask for a pre-file APA meeting, the Competent Authority will look to schedule one at a later date.

Suspending collections on new debt – Collections activities on new debts will be suspended until further notice, and flexible payment arrangements will be available.

For more information:

- [CRA's email to stakeholders on March 26, 2020](#)
- [CRA Key Deadline Summary \(not exhaustive\)](#)
- [Deferral of GST/HST Tax Remittances](#)
- [CRA's email to stakeholders on April 17, 2020](#)
- [Tax Court of Canada's Practice Direction and Order dated April 17, 2020](#)
- [Tax Court of Canada's Notice to the Public and the Profession dated April 17, 2020](#)
- [Tax Court of Canada's Notice to the Public and the Profession dated May 20, 2020](#)

## General Technical & Administrative Issues

In addition to deadline feedback, we have also received concerns related to general technical and administrative income tax matters (GST issues are discussed later). These outstanding issues include:

**Canada Emergency Business Account (CEBA) – Definition of Payroll** — The new CEBA program will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced. To qualify, these organizations will need to demonstrate they paid between \$50,000 to \$1 million in total payroll in 2019. Many of our members' small business clients remunerate themselves with a combination of wages and dividends and use subcontractors as needed.

In such cases, "remuneration" to the owner and contractors exceeds \$50,000 while actual salary and wages may not. We have asked the government whether the rules could be broadened to cover other forms of remuneration. This issue should be reviewed for other programs as applicable.

**UPDATE:**

- On April 16, the government expanded the CEBA to businesses that paid between \$20,000 and \$1.5 million in total payroll in 2019. This new range will replace the previous one of between \$50,000 and \$1 million.
- No other changes announced to payroll requirement, namely an annual payroll of between \$20,000 and \$1.5 million as evidenced by the organization's 2019 T4 Summary of Remuneration Paid (T4SUM).
- On May 19, 2020, the government announced that the program will now be available to a greater number of businesses that are sole proprietors receiving income directly from their businesses, businesses that rely on contractors, and family-owned corporations that pay employees through dividends rather than salary.

**Canada Emergency Business Account (CEBA) – Change of ownership structure —**

The new CEBA program is available to Canadian employers with \$20,000 to \$1.5 million in total payroll in 2019 and operating as of March 1, 2020 (in addition to other qualifications). In the case of a business that undergoes a change in ownership structure/ business type (e.g. from a sole proprietorship to a corporation) and therefore its business number, just prior to March 1, 2020, would payroll deductions under the first business number/ structure also be taken into account when determining eligibility for CEBA? If not, can this be amended to include such situations where a business is rolled over from one business structure to another?

**UPDATE:**

- Clarification pending.

**Temporary Wage Subsidy (TWS) – Indigenous-Owned Enterprises —** An indigenous community owned enterprise that operates a retail store, hotel, etc. on-reserve as a corporation that is tax exempt under s. 149(1)(d.5) of the Income Tax Act appears not to be eligible for the TWS. Similarly, an indigenous community owned enterprise that operates a business as a limited partnership of the indigenous communities themselves and a general partner corporation appear not to be eligible as the partnership is not comprised of eligible employers.

**UPDATE:**

- No changes have been announced; no additions announced to the list enumerated in paragraphs (a) through (c) of the definition of “eligible employer” in new subsection 153(1.03).

**Temporary Wage Subsidy and CCPCs** — For the TWS, CCPCs are eligible provided that taxable capital is below \$15 million in the prior year. Where the CCPC is a member of an associated group, the group does not have to share the \$25,000 employer limit. To be eligible, a corporate member of the group must have been allocated a portion of the annual business limit in the prior year. Given that the annual limit was allocated without knowing that it would impact the TWS, the question was asked if this allocation can be amended or whether the CCPC eligible employer rule could be changed.

**UPDATE:**

- No changes have been announced; no changes announced to definition of “eligible employer” in new subsection 153(1.03) and the requirement in clause (c)(i)(A) for a business limit.

**Canada Emergency Response Benefit (CERB) and Supplementary Unemployment Benefit Plan (SUBP)** — The federal government should provide greater clarity on the interaction between CERB and SUBP. For example, can employees elect to stay on the existing SUBP instead of CERB, and if so, how can employees get through the EI system instead of being directed to the CERB?

**UPDATE:**

- Service Canada’s update to the CERB FAQs confirms that the EI provisions allowing employers to make additional payments to workers through SUB plans do not apply to employees receiving CERB. Thus, if an employee receives more than \$1,000 per benefit period from employment income (which includes any SUB top-up payments), they would have to repay the CERB amounts they received for that same period.
- No further changes have been announced.

**Canada Emergency Response Benefit (CERB) – Eligibility**— There needs to be clarification on the "stopped working" and earning less than \$1,000 eligibility requirement. Part-time work seems to be permitted but this conflicts with the "stopped working requirement".

**Canada Emergency Response Benefit (CERB) – Eligibility – Self-Employed Workers**

Are self-employed small business owners eligible for the Canada Emergency Response Benefit? Yes provided they meet the eligibility criteria including that they stopped working due to COVID-19 and do not earn more than \$1000 in a period of at least 14 consecutive days in the first benefit period and for the entire four-week benefit period of any subsequent claim.

Small Business owners can receive income from their business in different ways, including as salary, business income or dividends. In determining their eligibility for the Canada Emergency Response Benefit:

- Owners who take a salary from their business should consider their pre-tax salary;
- Owners who rely on business income should consider their net pre-tax income (gross income less expenses);
- Owners who rely on dividend income should consider this as self-employment income provided it comes from non-eligible dividends (generally, those paid out of corporate income taxed at the small business rate).

**Canada Emergency Response Benefit (CERB) – Eligibility – Self-Employed Workers**

Can someone qualify for Canada Emergency Response Benefit if they still have a small amount of income coming into their business account as a sole proprietor to pay some of their business expenses (commercial rent, utility costs, etc.) as long as they are not paying themselves any income from the business?

Yes. To be eligible for the Canada Emergency Response Benefit, you must have stopped working as a result of reasons related to COVID-19 and receive less than \$1,000 in employment or self-employment income for at least 14 consecutive days within the initial four-week period for which you apply. For subsequent periods, you cannot receive more than \$1,000 in employment or self-employment income for the entire four-week period.

For more information:

- [Click for the updated CERB Q & A page on the CRA's website](#)

**Part XIII refund requests** — As the investment management industry anticipates some significant delays for custodians and tax withholding agents in obtaining the required information to meet the information filing requirements, they are requesting an extension of the deadline for applications for Part XIII refund requests. Custodians and brokers (withholding agents) are concerned with their compliance filing obligations as it pertains to withholding tax reclaim applications for foreign investors of Canada which

are eligible for reduced treaty withholding tax rates which were not applied at source at the time of payment. As a result, applications for Canadian withholding tax reclaims are likely to be unduly delayed since foreign investors are not able to obtain the required information from their local government and withholding tax agents due to their shut-down and not having a fully staffed operating model in place. The industry believes it will take some time for governments and custodians around the world to get back into normal operating mode as well as catch-up on the backlog of requests from asset managers and investors. We anticipate that this will inevitably lead to delays in gathering and providing the information to accommodate investor requests. Would additional relief be considered to address the adverse impact on investors from over withholding of tax on Canadian source income for what may be an extended period?

**UPDATE:**

- Clarification pending.

**RRIF and 25% minimum withdrawal reduction** — Although the measures allow Canadians to reduce their minimum RRIF withdrawals by 25%, there has been no confirmation of whether Canadians who have already withdrawn the minimum prescribed amount may re-contribute the excess back into their RRIF. A similar measure was implemented during the 2008-2009 financial crisis.

**UPDATE:**

- The CRA has confirmed that individuals who have already withdrawn more than the reduced 2020 minimum amount will not be permitted to re-contribute to their RRIFs an amount up to the 25% proposed reduction. [Click here for a CRA FAQ on the change \(questions 3\).](#)

**Mind and Management and Corporate Residence** — Given the current travel environment, there will be issues related to maintaining mind and management outside Canada for foreign subsidiaries as management teams may be restricted to Canada. We asked CRA for some guidance on this issue as many corporations will need clarity and certainty on this issue, for both tax compliance reasons and to compute/disclose their tax provisions.

**UPDATE:**

- **[NEW]** On May 20, 2020, the CRA released [guidance on international income tax issues raised by the COVID-19 crisis](#). The guidance addresses the following issues:
  - Income Tax Residency
  - Carrying on business in Canada/permanent establishment
  - Cross-border employment income
  - Waiver Requests - Payments to non-residents for services provided in Canada
  - Disposition of taxable Canadian property by non-residents of Canada

**Section 116 and T2062 Certificate of Compliance Requests** — Given the timely need for compliance certificates, we asked the CRA to provide guidance on how these forms will be processed given reduced staffing capacity at the CRA. Delays could result in significant cash flow issues.

**UPDATE:**

**[NEW]** - As part of the May 20, 2020 guidance on international tax issues, the CRA announced that where a vendor has submitted a request for a Section 116 Certificate and the certificate has not been issued by the time a purchaser's remittance is due (i.e., within 30 days after the end of the month in which the property was acquired), the purchaser or vendor may request that the Agency provide a comfort letter. The comfort letter advises the purchaser/ vendor/ representative to retain the funds they have withheld (even though technically, the amounts are due) until the CRA review is complete and the CRA requests the purchaser to remit the required tax. As long as the tax is remitted when requested, the CRA will not assess penalty and interest on the amount. Urgent requests for comfort letters may be submitted on a temporary basis by contacting the CRA's Individual tax enquiries line at 1-800-959-8281.



**Mutual Fund Trust Status** — A unit trust formed in 2019 can be retroactively deemed to be a mutual fund trust for its year ended December 31, 2019 if, before the 91st day of 2020, it satisfies, among other things, requirements relating to the number of its unitholders. There may be instances, as a result of the coronavirus situation, that unit trusts may not meet the requirement within that timeframe where they may have under normal circumstances.

**UPDATE:**

- No change or clarification has been announced.

**Replacement Property Rules** — To qualify for the replacement property rollover, taxpayers need to occupy their replacement property before a specific deadline based on their year-end. Given that construction has been suspended in many locations in Canada because of COVID-19, some taxpayers will be adversely affected if the construction delays mean that the replacement property deadlines will not be met.

**Timeframes for required action generally** — In addition to the items above on mutual fund trusts and the replacement property rules, there will be other time sensitive actions required for various tax rules. A process should be considered for these items more generally as administrative extensions may not be possible due to the wording of the legislation involved.

**Employee Allowances and Expenses** — Some corporations are considering providing an allowance to employees to help cover costs related to setting up their home offices so they can continue working from home. Further, some employers are providing their employees with a per diem allowance of which the purpose is to cover private transportation, meals and any other expenses necessary to keep employees safe who must work outside of their home.

These employers are asking whether the federal government will legislatively or administratively treat these amounts as non-taxable amounts given our current unprecedented circumstances.

In other cases, can the expenses associated with setting up and operating from a home office during the period that the work from home order is in place be deducted when computing an individual employee's income during this unprecedented time?

**UPDATE:**

- Technical interpretation 2020-0845431C6, released April 22, confirms that reimbursement of an amount not exceeding \$500 for the acquisition of personal computer equipment to enable an employee to perform remote work mainly benefits the employer and so does not result in a taxable benefit for the employee. Revenue Quebec has announced a similar policy on personal computer equipment.
- Revenue Quebec recently announced their policy around employment expenses related to teleworking as a result of COVID-19
- **[NEW]** On May 15, 2020, Revenu Québec updated its policy to confirm that the total or partial reimbursement by an employer of up to \$500 for computer or office equipment necessary to perform remote work is not a taxable benefit.
- No further changes have been announced.

**T2200 Declaration of Conditions of Employment** – To alleviate the administrative burden of issuing numerous T2200 Declaration of Conditions of Employment, we asked the government whether a streamlined approach could be used in lieu of completing the form. Otherwise, many employment contracts may need to be amended and a related T2200 prepared, which could be a large administrative burden for many employers.

**UPDATE:**

- Issue under review.

**Automobile Benefit Concerns** – Questions have arisen regarding employer-provided automobiles and parking benefits that would normally be a taxable benefit for an employee. During this time of mandatory work from home for many employees, many of these benefits cannot be accessed and so it is unclear how the CRA will treat these benefits. Some sort of relief would be fair under the circumstances. Specific issues include:

- Parking benefits - For employer-provided parking, employees generally do not have access to parking spots while mandatory closures are in force, nor are they able to travel to their normal place of employment. Would CRA still consider the parking spot available for the employees' use while employees are working at home? There are also significant questions in respect of the value of the benefit due to a lack of access and the amount of unused parking currently available.
- Employer-Provided Automobiles and Standby Charges - Similarly, where an employer has provided an automobile to an employee, the personal use portion is normally considered to be a taxable benefit to the employee. If the total personal travel is less than 20,004 kilometers (a full year is assumed) and represents less than 50% of total use, the benefit is equal to:

Normal standby charge benefit x personal kilometers driven / 20,004

During the mandated closure of most businesses, the employee is likely no longer using the automobile at all for business purposes. Also, due to continued social distancing, the amount of business travel may be reduced after the economy re-opens. How will CRA compute the taxable benefit for 2020 as the benefit could be significant if the proration does not apply?

**Accelerating loss carry back refunds** — As a way to assist taxpayers with cashflow issues, members have suggested the CRA consider administrative processes to accelerate loss carry back requests.

**UPDATE:**

- Issue under review.

**Taxpayer Relief** — In order to provide tax preparers and taxpayers with peace of mind, our members suggested that the CRA communicate clearer guidance on situations where taxpayer relief will be granted in situations where the extension does not apply. CPA Canada has passed on suggestions to the federal government on this. For example, we suggested streamlining the taxpayer relief process related to COVID-19, by developing a customized version of Form RC4288 for COVID-19 as well as a process that would allow tax preparers and advisors to obtain relief for clients on a group basis.

**UPDATE:**

- April 17, 2020 confirmation that taxpayers who are unable to file a return or make a payment by the new tax-filing and payment deadlines because of COVID-19 can request the cancellation of penalties and interest if they have been charged to their account.
- While the CRA continues to accept requests for taxpayer relief during this period, there will be delays in processing requests. Once normal business operations resume, the Taxpayer Relief Program will review requests related to COVID-19 on a priority basis.

**Voluntary Disclosure Payment Requirement** — In order to assist taxpayers with cash flow issues who would like to become compliant, members have suggested the CRA consider deferring the payment of taxes owing at the time of filing their voluntary disclosure request until a later time.

**UPDATE:**

- We understand that the CRA is currently not working on voluntary disclosures. Otherwise, clarification on this issue is pending.

**Time Sensitive Rulings Requests** — Members have expressed concern on how CRA rulings will deal with time sensitive transaction rulings. Given the CRA is operating with limited resources, what is the CRA planning to ensure such requests are addressed?

**UPDATE:**

- Clarification pending.

**Electronic signatures** — Will the CRA accept electronic signatures on forms beyond T183s and other forms where the federal government has already made an announcement?

**UPDATE:**

- Issue under review generally.
- Revenu Québec will allow preparers to use an electronic signature on some forms their clients must sign (forms MR-69-V and TP-1000.TE-V for individuals, and form CO-1000.TE for corporations). Form MR-69-V can be signed electronically only until September 1, 2020.

**Electronic filing of other forms** — We asked the CRA if it would be possible to identify ways to file forms and other correspondence with the CRA electronically, beyond the current online services.

**UPDATE:**

- **(NEW)** - As part of the May 20, 2020 guidance on international tax issues, the CRA announced that urgent Waiver Requests under Regulation 102 and Regulation 105 may be submitted electronically on a temporary basis. More information is under development.

**Third-Party Authorizations** — Are third-party representative authorization requests that are submitted through My Business Account, Represent a Client, or fax/mail being processed during this period? Beyond using My Business Account or Represent a Client, can the CRA provide more information on how to send in requests to speed up processing times?

**Income payable to non-resident trust beneficiaries** — A concern was raised due to the fact that the deadline for trust returns was extended but not the deadline for the remittance of Part XIII tax. The concern specifically related to situations where the income was made payable by a reference to a percentage of trust income where the final amount is not determined until the trust return is completed and filed.

**UPDATE:**

- Issue under review.

**Film and Media Tax Credits [NEW]** – On May 8, 2020, and in reference to the Film and Media Tax Credits Program, the CRA announced it is doing everything it can to ensure claimants receive the credits to which they are entitled, as soon as possible. For the time being, no new audits will be started and some of their existing audits will be completed as soon as possible so that businesses have access to their credits faster. Claims accepted at this time may be subject to audit at a future date.

## GST/HST Concerns

### Registration Issues

**GST/HST Registration Process** — Given the CRA is operating at limited capacity, many members are concerned that GST/HST account number requests will be delayed and result in late remittances and returns. The CRA should consider providing more guidance on how it plans on dealing with registration requests as any delays could provide taxpayers with significant penalty exposure.

**UPDATE:**

- Issue under review.

**Non-Resident GST Registrations** — We have been advised that there is little to no staff working in the Non-Resident section. The CRA should provide for information on how non-residents can register for GST.

**UPDATE:**

- Issue under review.

## Input Tax Credit (ITC) Issues

**Claiming ITCs when tax has not been paid** — As the payment of import GST to the Canada Border Services Agency is deferred until June 30, 2020, if an importer elects to defer such payment, are they still eligible to claim the ITCs for the import GST payable (but not yet paid) in the respective monthly reporting period based on the customs accounting documents (e.g. B3)?

**UPDATE:**

- Issue under review.

**Customs Brokers** — There is a timing difference between when GST will become remittable to Canada Border Services Agency (CBSA) for customs brokers (i.e. on June 30th) and when the ITCs will be payable by the CRA. There currently is no mechanism for the customs broker's debt to the CBSA to be offset by the amounts payable by the CRA to the broker. This may cause a significant cash flow issue for these brokers, as many of their customers will no longer be in a position to pay for the tax that the customs brokers will have to remit on June 30th, and a number of customs brokers fear they may become insolvent. The bankruptcy of customs brokers will severely disrupt the supply chain. We have asked whether the CRA and/or the CBSA can work on an administrative solution to deal with this.

**Financial Institutions** — CRA should advise on how it intends to deal with the review of pre-approved ITC allocation methods for qualifying institutions, with the 180-day deadline often falling on June 30.

**UPDATE:**

- Issue under review.

## General Administrative Issues

**GST/HST Bad Debt Relief** — As recommended by the OECD, the federal government should simplify procedures for claiming relief on bad debts to assist taxpayers with cash flow needs.

**UPDATE:**

- Issue under review.

**GST Refund Holds** — To assist taxpayers with cash flow issues, the CRA should consider relieving the hold on refunds for taxpayers who are not compliant in other program accounts where the non-compliance is not significant.

**UPDATE:**

- Issue under review.

**Interest and penalties** — We understand there was a bit of a “lag” between the announcement of the GST payment deferral and when CRA’s system was “shut off” for automatic assessment of interest and penalties. What should taxpayers do if they received such an automatic assessment?

**UPDATE:**

- Issue under review.



**Voluntary Disclosures** — The CRA should consider whether payments can be deferred for any new voluntary disclosures filed between now and end of June. Could the CRA consider offsetting of the tax payment and recovery between the two parties at the time of filing the voluntary disclosure, even if only for the duration of this crisis, as a means of encouraging registrants to remain compliant throughout this period?

**UPDATE:**

- Issue under review.

**Non-resident security** — Given the CRA's reduced resources currently, there seems that the non-resident security department is not a critical service for the CRA at this time. There are security bonds in process that have been sent to the CRA, however the CRA is still withholding refunds of GST/HST from these non-resident registrants. This is resulting in cash flow issues for these registrants.

**UPDATE:**

- Issue under review.

**Documentation for novation to a contract** — With respect to commercial rent deferrals by real property landlords and lessors of tangible personal property, will the CRA accept simple "COVID-19 rent deferral notices" that make it clear what relief the landlord/lessor is providing for purposes of deferring when the GST/HST is payable on lease payments? The issue is that the "deferral notices" may not be formal legal amendments to the governing lease agreements and thus may not be sufficient to change in time when GST/HST becomes payable.

**UPDATE:**

- Issue under review.