



Temporary tax measures to support Canadian residents and businesses

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In response to challenges related to the COVID-19 pandemic, Canadian tax authorities have developed some significant tax measures to support Canadians and businesses during this time. Below are some measures that may impact CIBC Mellon and its clients.

For additional tax information, we encourage you to visit the following websites:

- <https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update.html>
- http://www.finances.gouv.qc.ca/index_en.asp

Canada Revenue Agency

The Canada Revenue Agency (CRA) made the following tax measures:

Trusts

For trusts with a taxation year ending December 31, 2019, the return filing due date is deferred until May 1, 2020.

All trusts that have an upcoming income tax balance due date or an income tax instalment payment due date before September 1, 2020, will have their payment due date effectively extended to September 1, 2020.

This measure applies to income tax balances and instalments owing under Part I of the *Income Tax Act*. Therefore, this deferral does not apply to remittances and tax payments owing under various other parts of the *Income Tax Act*, such as Part XIII non-resident withholding tax.

The deferred payments will not be subject to interest or penalties during this period. Penalty and interest implications for upcoming trust tax obligations not covered by the relief described above will be considered by the CRA on a case-by-case basis.

Businesses

For corporations, any corporate income tax return filing due date after March 18, 2020 has been deferred until June 1, 2020.

The deadline for businesses to pay any income tax amounts that become owing or due after March 18, 2020 and before September 1, 2020 has been extended to September 1, 2020. No penalties or interest will accumulate on these amounts during this period.

Partnerships or Non-Residents Information Returns

These returns are all extended to May 1, 2020.

Charities

The Charities Directorate is extending the filing deadline to December 31, 2020, for all charities with a Form T3010, Registered Charity Information Return due between March 18, 2020 and December 31, 2020.

Other tax measures

Registered Retirement Income Fund (RRIF) withdrawals: The required minimum withdrawals from RRIFs will be reduced by 25 per cent for 2020. This measure will reduce the amount of RRIF assets that an individual may need to liquidate to meet minimum withdrawal requirements. Similar measures will be introduced for individuals receiving variable benefit payments under a defined contribution registered pension plan. These measures will apply immediately, with supporting legislation to follow at a later date.

Electronic signatures: Effective immediately, in order to reduce the necessity for taxpayers and tax preparers to meet in person during this difficult time, and to reduce administrative burden, the CRA 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. Québec announced a similar measure.

Requirements to Pay: The CRA will not be sending any Requirements to Pay (RTP) to employers. For RTPs currently in place, remittances are not required, until further notice.

FATCA and CRS information returns: The filing deadlines for Part XVIII (FATCA) and Part XIX (CRS) returns have been extended to September 1, 2020. In addition, no penalty will apply for failure to obtain a self-certification on financial accounts opened before January 1, 2021.

GST/HST: The CRA announced that businesses will be allowed to defer GST/HST payments and remittances where they are due on or after March 27, 2020 and before June 2020 until June 30, 2020. They also note that the GST/HST returns due during this period should continue to be filed on time and no penalties will be assessed if those returns are filed no later than June 30, 2020. Quebec announced a similar measure for QST.

Update on administrative matters

When Canadian investors invest in the global markets, the tax authorities in the other jurisdictions generally require them to provide certain documents including a Certificate of Residency (CoR) to support their eligibility for a reduced withholding tax rate. Without a CoR, they will have to pay full tax on their foreign income. A number of member firms in the IFIC tax working group including CIBC Mellon have been working with IFIC pertaining to timely issuance of CoR by the CRA in the current environment. The CRA recently provided the following response to IFIC:

As we continue to navigate these unprecedented times, the CRA is continually taking stock and adjusting our priorities. As part of our response to the COVID-19 pandemic, the Certificate of Residency program did experience a disruption. A plan is in place to resume this function, and we will be working to reinstate it in the immediate future while considering both the safety of our employees, and the provision of services to our clients including financial institutions.

Your members should continue to submit requests as usual. The processing timeline is generally ten weeks, and we hope to maintain that service standard. That said, until we can resume full operations, clients may experience minor delays in service and as such, we ask for your patience during this time. Furthermore, we would ask that your members not send in duplicate requests, or any follow up correspondence, as this will hinder our efforts at managing the resumption of this program.

After receiving this response, IFIC asked the CRA to provide updates if there is any significant change to the processing timelines.

CRA's update on extended filing deadlines

On May 25 and June 1, 2020, the Canada Revenue Agency (CRA) released an update on tax return filing deadlines for corporations, trusts and partnerships.

For more information on the CRA's update, we encourage you to visit the following website:

- <https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html>

Corporate income tax returns: For corporations that would otherwise have a filing due date on May 31, 2020, or in June, July or August 2020, the T2 return filing due date has been extended to September 1, 2020 (T2 returns originally due after March 18 and before May 31, 2020 and for which the filing due date had been extended to June 1, 2020 are not covered by this new extension).

Trust income tax returns: For trusts that would otherwise have a filing due date on May 31, 2020, or in June, July or August 2020, the T3 return filing due date has been extended to September 1, 2020 (similar to T2 returns, T3 returns for which the filing due date had been extended to June 1, 2020 are not covered by this new extension).

Partnership information returns: For partnerships that would normally have a filing due date on May 31, 2020, or in June, July or August 2020, the partnership information return due date has been extended to September 1, 2020.

Other information returns, elections, etc.: Unless otherwise noted by the CRA, other information returns (such as Form T1134, *Information Return Relating to Controlled and Not-Controlled Foreign Affiliates*), elections, designations and information requests that are due on May 31, 2020, or in June, July or August 2020, will also now be due on September 1, 2020.

Late-filing penalty relief

The CRA's update also confirms that late-filing penalties and interest will not apply, provided the respective returns and administrative tax actions (described above) are filed, and payments are made, by the extended deadline.

Québec income tax filing and payment deadlines

In addition, Québec has announced similar extensions to various trust and business tax filing and payment deadlines as follows:

Trusts

A trust's tax return filing due date is extended from March 30, 2020, to May 1, 2020 for the 2019 taxation year, not including specified investment flow-through (SIFT) trusts. The balance of tax that would have been due as of March 17, 2020, can now be paid after August 31, 2020.

For a trust's 2020 taxation year (not including SIFT trusts), the instalment payment deadline of June 15, 2020, is extended to after August 31, 2020 (the exact date will be announced later by Québec's Ministère des Finances).

Businesses

For businesses, any tax instalment, or balance of tax that would have been due from March 17, 2020 to August 31, 2020, will not have to be paid until after August 31, 2020 (the exact date will be announced later by Québec's Ministère des Finances).

Other tax measures

For SIFT trusts or partnerships, any tax instalment, or balance of tax that would have been due from March 17, 2020 to August 31, 2020, will not have to be paid until after August 31, 2020 (the exact date will be announced later by Québec's Ministère des Finances).

Quebec has also announced the following extended filing deadlines. See the following website for more information:

<https://www.revenuquebec.ca/en/coronavirus-disease-covid-19/faq-for-businesses/summary-tables/>

Revenu Quebec's update on extended filing deadlines

Corporations

Quebec announced that it will harmonize with the federal extension of the filing deadline for corporate income tax returns. As a result, any Quebec CO-17 income tax return that would otherwise normally be due between June 1 and August 31, 2020 can now be filed by September 1, 2020.

Similarly, for all non-profit corporations with a Form CO-17.SP, *Déclaration de revenus et de renseignements des sociétés sans but lucratif*, and a Form TP-997.1-V, *Information Return for Tax-Exempt Entities*, due between 1 June and 31 August 2020, the filing deadline is extended to September 1, 2020. The same extension will also apply to operators that would otherwise have to file their Mining Tax Return (IM-30-V), or Forms IM-30.MX-V and IM-30.DL-V (instead of Form IM30-V), during that period.

Partnerships

Quebec also announced that it will harmonize with the federal extension of the filing due date for partnerships (including specified investment flow-through (SIFT) partnerships). As a result, any Quebec information return of a partnership due between May 31 and August 31, 2020 can now be filed by September 1, 2020.

Trusts

Quebec also announced that it will harmonize with the federal extension of the filing due date for trusts (including SIFT trusts). As a result, any Quebec trust income tax or information return of a trust whose taxation year ended between March 2 and May 31, 2020 can now be filed by September 1, 2020.

In addition, it was announced that the tax balance payable by trusts for their taxation year ended during the 2020 calendar year that would otherwise be payable before September 1, 2020 can now be paid no later September 1, 2020, in line with the deferral previously announced by the federal government.

Other information returns, elections, etc.

Quebec also announced that, unless otherwise noted by Revenu Quebec and similar to the federal government announcement, other information returns, elections, designations, mandatory or preventive disclosures of aggressive tax planning and responses to information requests that are due in June, July or August 2020 will also now be due on September 1, 2020.

Presumably, these extensions for corporations, trusts and other administrative tax actions also apply to returns and actions due on May 31, 2020, since a filing deadline that normally falls on a Sunday is extended under the Quebec *Interpretation Act* to the next business day.

The Canada Revenue Agency Responds to the Investment Funds Institute of Canada's Questions about Certificate of Resident and Non-Resident Refund Applications

Below are questions posed by IFIC and the industry, and the CRA's responses on June 25, 2020:

1. What is the date of the current COR requests that the CRA is processing?

CRA Response: The normal service standard for the processing of Certificate of Residency cases is 60 days. Depending on the type and/or quantity of certificates requested, clients could experience an average delay of up to 30 days beyond this timeframe, particularly during peak periods. This projection is subject to change very quickly, and although we endeavor to process these files on a first-in/first-out basis, some certificates of residency may be processed much faster than 60 days, and others somewhat slower depending on complexity, quantity, method of receipt, and other variables typically encountered in the processing of this workload.

2. How large is the backlog?

CRA Response: Unfortunately, at this time it is difficult to estimate the size of the backlog due to paper files in numerous offices not yet inventoried. Effective Monday June 29, we will begin to move towards normal operations and will be opening up all points of intake again, subject to the building re-occupation plans of each of our intake sites. We are hoping this will alleviate some of the delays in mail transit, and will certainly allow our employees to spend more time in handling the paperwork aspect of these cases. We will have a better idea of existing backlogs for all of our workloads in the next month or two as we continue to work through the stockpiled requests.

3. What percentage of the regular COR processors are currently working on processing requests?

CRA Response: The Certificate of Residency workload formed a moderate percentage of most of our agents' inventory of cases before COVID-19, and upon enactment of our business continuity plan, we now have a centralized and dedicated team processing this workload. In effect, the dedicated effort has maintained our level of attention on this workload. The delays that may still occur are not caused by the level of resources allocated: they are caused by mail transit and processing, both internal and external, and modified procedures that allow our employees to safely re-enter their building to handle paper-based submissions. We are providing our best effort while continuing to respect the advice of all health authorities and ensuring the health and safety of our employees is not compromised.

4. When does the CRA estimate completing the processing of the backlogged requests?

CRA Response: As we move towards gradual business resumption at the CRA, it is difficult to estimate when backlogs will be fully processed as there are too many variables to consider at this point in time. Should we continue to see an overall improvement with respect to the nation's COVID situation, and continue to see greater flexibilities provided by provincial health authorities, we would expect the backlog to be resolved in a timely manner. We will continue to dedicate resources to this effect in order to ensure the continuity of service to our clients.

5. Are you aware of any agreements the Competent Authority has made with foreign tax authorities to extend reclaim deadlines?

CRA Response: The CRA has not entered into any competent authority agreements to extend reclaim periods. Canada's tax treaties do not empower the competent authority to agree to extend Canada's statutory deadlines to request a refund of Part XIII tax. However, some tax treaties allow a

period to request a refund in connection with the mutual agreement procedure after the domestic time limits of either country have expired. Where this is the case, the treaty generally specifies a 2 or 3-year period. The Canada-US treaty provides for a period of 6 years from the end of the relevant taxable year. Information on requesting assistance under the mutual agreement procedure can be found in [IC71-17r5](#).

As of July 17, 2020, the message posted on the CRA website stating that all CoR requests should be sent to the London office was subsequently removed and directed all CoR requests be sent to the local CRA office: <https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/certificate-residency.html>

IFIC followed up with the CRA to confirm the change and received the following response:

“The website is always the most up-to-date source for information on where to send requests. As part of our business continuity plan, during the early stages of the pandemic, the CRA centralized the certificates of residency workload in the London office and updated the website to advise where to send new requests. As we have now re-opened all offices, requests are to be sent to the office based on where they reside. All requests sent to the London office will be processed”.

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