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# WILLIAMS ACCOUNTING PROFESSIONAL CORPORATION

## Client Newsletter

February 2021

### New for 2020 and 2021

Certainly 2020 year was not normal and different than all the years we have seen in our life. COVID-19 changed our life and make us think many things we never thought in our lifetime.

In response to the COVID-19 pandemic and to support families and businesses, government have introduced temporary tax deadline extensions, various subsidy programs, enhanced tax credits and other benefits to support individuals and businesses throughout this pandemic.

It is important to keep in mind and understand that there have been many changes in rules, deadlines, benefit criteria's, tax rates and credits. This newsletter outlines some of the matters important to you & your business and tax law changes applies to 2020 and 2021 years.

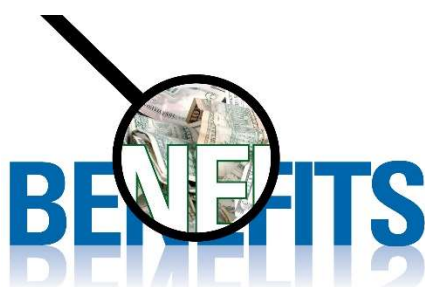
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*Plan now for 2021.*

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### Canada Emergency Wage Subsidy

The Canada Emergency Wage Subsidy (CEWS) program was initially in placed for a 12-week period, from March 15 to June 6, 2020.

On May 15, 2020, the Government of Canada announced that it will extend the CEWS by an additional 12 weeks to August 29, 2020. The Federal government has revised the CEWS several times since it started in 2020, including new measures of the subsidy with a new two-part "base" and "top-up" amount which vary depending on the eligible entity's revenue decline, for periods beginning July 5, 2020.

Federal government enacted Bill C-20 on July 27, 2020 to include above changes and other changes, which provided details periods up to November 21, 2020.

Further, Bill C-9 was enacted on November 19, 2020 to extend CEWS up to June 2021 and provided more technical changes to set maximum subsidy. The federal government recently published these changes in the Canada Gazette on January 6, 2021.

### Canada Emergency Rent Subsidy

Bill C-9, which was enacted on November 19, 2020, also introduced the new Canada Emergency Rent Subsidy (CERS). This subsidy subsidizes a percentage of eligible expenses incurred by businesses, eligible charities and non-profits that have suffered a specified revenue drop. Eligible expenses for a qualifying period may include (with exceptions) commercial rent, property taxes, property insurance and interest on commercial mortgages (subject to limits).

Further, the Bill includes the new Lockdown Support Subsidy of 25% of eligible expenses for organizations temporarily shut down due to a mandatory public health order issued by a qualifying public health authority. CERS is available until June 2021.

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The government also introduced new legislation to adjust the rules to allow eligible entities to claim the CERS and Lockdown Support Subsidy on certain eligible expenses when they are due rather than when they are paid, if they are paid within 60 days of subsidy payment. These adjustments are included in Bill C-14, which received first reading on December 2, 2020.

## Temporary Wage Subsidy

The Temporary Wage Subsidy (TWS) generally covers 10% of the remuneration paid by an eligible employer, up to \$1,375 per employee per period for the periods covered from March 18, 2020 to June 19, 2020 up to a maximum of \$25,000 per employer. This three-month measure allows eligible employers to reduce their payroll remittances required to be paid to the Canada Revenue Agency (CRA).

In addition, employers who are eligible for the 10% TWS, should file their self-identification forms (PD27) before March 1, 2021. The CRA says that by filing this form before their 2020 T4, "Information Return" deadline, employers can avoid receiving a discrepancy notice.

## New T4 reporting requirements

For the 2020 tax year, the Canada Revenue Agency (CRA) has introduced additional reporting for the T4 slip, Statement of Remuneration Paid.

Additional reporting requirements will apply to **ALL** employers, and will help the CRA validate payments under the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Response Benefit (CERB), and the Canada Emergency Student Benefit (CESB). Please note that employers who have already filed their T4 slips and summary for 2020 will not need to refile.

How to report employment income during COVID-19 pay periods:

For the tax year 2020, in addition to reporting employment income in Box 14 or Code 71, use new other information codes when reporting employment income and retroactive payments in the following periods:

Code 57: Employment income – March 15 to May 9  
Code 58: Employment income – May 10 to July 4  
Code 59: Employment income – July 5 to August 29  
Code 60: Employment income – August 30 to September 26

Eligibility criteria for the CERB, CEWS, and CESB is based on employment income for a defined period. The new requirement means employers should report income and any retroactive payments made during these periods.

Example: If you are reporting employment income for the period of April 25 to May 8, payable on May 14, use code 58.

## Medical Expenses

The medical expense credit is calculated based on qualified medical expenses exceeding 3% of net income or the threshold shown in the table, whichever is less. Medical expenses incurred by both spouses/partners and by their children under age 18 may be totaled and claimed by either spouse/partner.

Taxpayers can also claim medical expenses for other eligible dependents to the extent the amount exceeds the lesser of 3% of net income of the dependent or the threshold shown in the table. Ontario is currently the only province with a maximum allowable medical expense for other eligible dependents. The limit is \$13,155 for 2020.



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## **Employees - Home office expenses for 2020**

In 2020, Work from home (WFH) is new normal. Individuals who are working remotely from home because of COVID-19 may be eligible to claim certain home office expenses for tax purposes.

Canada Revenue Agency (CRA) has made the home office expenses deduction available to more Canadians and simplified the way employees can claim these expenses on their personal income tax return for the 2020 tax year. Employees with larger claims for home office expenses can still choose to use the existing detailed method to calculate their home office expenses deduction.

Employees who worked from home more than 50% of the time over a period of a least four consecutive weeks in 2020 due to COVID-19 will now be eligible to claim the home office expenses deduction for 2020. The use of a shorter qualifying period will ensure that more employees can claim the deduction than would otherwise have been possible under longstanding practice.

A new temporary flat rate method will allow eligible employees to claim a deduction of \$2 for each day they worked at home in that period, plus any other days they worked from home in 2020 due to COVID-19 up to a maximum of \$400. Under this new method, employees will not have to get Form T2200 or Form T2200S completed and signed by their employer.

To simplify the process for employees choosing the detailed method, the CRA introduced simplified forms (Form T2200S and Form T777S) and a calculator designed specifically to assist with the calculation of eligible home office expenses.

[Home office expense calculator for employees](#)

## **Audits and Reviews**

Canadian Tax system is based on self-assessment and all Canadian taxpayers are required to disclose their all tax affairs & pay their fair share of taxes. CRA ensures Canada's tax system is protected from unfair burden by those who do not pay their fair share. To weed out those that erode the tax base and undermine the fairness & equity in our tax system, CRA performs various Reviews and Audits on regular bases.

In many cases my office will receive the notice of the review and we may even reply to CRA without the client even knowing this has happened. This would apply to simple reviews when the CRA asks for something simple like a tuition receipt. Often, we will contact the client to get the information we need to reply to CRA. I am often asked if the cost to reply to the review was included in our original fee. The answer is no, we do not charge clients ahead for something that may not apply to them. When we respond to the audit, we track our time and bill for the time spent on the file. While some Reviews and Audits are randomly selected by CRA most are not. CRA tends to review items that do not meet the "norm". Examples are large employment expenses, large medical or charity receipts. Sometimes CRA decides to focus on specific areas. Recently there were many "professional fee" audits in businesses. We do expect lot of reviews for government subsidies and benefits provided by government currently & in near future.

If you want to increase the likelihood of being audits it is simple, file late and owe money. To decrease the odds of being audited, file on time and pay on time. It is important to remember that the taxpayer must keep supporting documents to support the claim in case of future audit.



## Need a Good Referral?

I belong to a networking group, the Business Hub. We refer business to one another. Our firm belonged to this group for over 15 years and its members are all reputable businesspeople. Many of their services I have used myself. If you need any of the following services, please contact me and I will give you their contact information:

<ul style="list-style-type: none"> <li>• Carpet and furniture cleaning and restoration</li> <li>• Window Coverings</li> <li>• Personal Trainer</li> <li>• Marketing</li> <li>• Life, Disability and Critical Illness Insurance advisor</li> <li>• Home and Auto Insurance</li> <li>• Auto Repair Shop</li> <li>• General Contractor</li> <li>• Mortgage Broker</li> </ul>	<ul style="list-style-type: none"> <li>• Banker</li> <li>• Lawyer</li> <li>• Residential Real Estate Agent</li> <li>• Home Stager</li> <li>• Send Out Cards Distributor</li> <li>• Certified Home Inspector</li> <li>• Investment Advisor</li> <li>• Information Technology</li> </ul>
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If you are in business and interested in growing your business by referrals give me a call and we can discuss the possibility of joining my networking group.

## Upcoming Deadlines

Accountants work with deadlines all the time. Here are few you should be aware of in the near future.

<b>T4 and T5 Issuing</b>	February 28, 2021
<b>RRSP Deadline</b>	March 1, 2021
<b>Personal Tax Installment</b>	March 15, 2021
<b>Trust Tax Return</b>	March 31, 2021
<b>Partnership Tax Return</b>	March 31, 2021
<b>January-March HST and/or WSIB Return</b>	April 30, 2021
<b>Personal Tax Return</b>	April 30, 2021
<b>Proprietorship Tax and HST Payment</b>	April 30, 2021
<b>Proprietorship Tax and HST Return</b>	June 15, 2021
<b>Personal Tax Instalment</b>	June 15, 2021
<b>December Corporate Tax Return</b>	June 30, 2021



*Check out our website for additional information and useful links.*

*Thank you for your referrals!  
We very much appreciate the referrals we receive. If you know of someone who may benefit from our services, please pass my name to them. As always, we provide a complimentary initial meeting.*

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