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COVID-19

FINANCIAL IMPACT REPORT

Filing Deadlines, Home Office Tax Deductions, T4 Reporting & CEWS Periods 11, 12 & 13 Update.

Filing Deadline for the Canada Emergency Wage Subsidy (CEWS) for certain periods is January 31, 2021

The deadline for CEWS applications is the later of January 31, 2021 or 180 days after the end of the qualifying period. As a result, for Periods 1 through 5, the deadline to apply is January 31, 2021.

The application deadlines for each CEWS claim period are as follows:

- Periods 1-5 (to August 1): January 31, 2021
- Period 6 (to August 29): February 25, 2021
- Period 7 (to September 26): March 25, 2021
- Period 8 (to October 24): April 22, 2021
- Period 9 (to November 21): May 20, 2021
- Period 10 (to December 19): June 17, 2021



Requirement for the 10% Temporary Wage Subsidy Self-Identification Form for Employers (Form PD27)

Another wage subsidy program that existed prior to the CEWS was the Temporary Wage Subsidy (TWS), which assisted eligible employers by allowing for a reduction in payroll withholding remittances to the CRA on remuneration paid during the period from March 18, 2020 to June 19, 2020.

The CRA requires all employers who qualified for both the TWS and the CEWS in the eligible period to file a Form PD27 for disclosure purposes. Even if the employer did not claim the TWS, they are still required to file the Form PD27 to ensure that they do not receive a discrepancy notice from the CRA. The form requires disclosure of employee payroll information including gross remuneration, income tax deductions, CPP contributions, EI premiums and TWS claimed in the eligible period.

Although there is no stated due date for Form PD27, it is advisable to submit the form before T4s are filed for 2020 to allow time for the CRA to process and update the employer's payroll accounts.

Additional information can be found in the following link: <https://www.canada.ca/en/revenue-agency/services/subsidy/temporary-wage-subsidy/tws-reporting.html>

Home Office Expenses and Form T2200S (Declaration of Conditions of Employment for Working at Home Due to COVID-19)

The CRA has introduced Form T2200S, which is a simplified version of the standard Form T2200, specifically for individuals who worked from home in 2020 due to COVID-19. Due to the anticipation of potential administrative burden caused by issuing a large number of forms, the CRA has changed the claim process of the home office expenses by providing a temporary "flat rate" method and a "detailed method" for eligible individuals, which will only apply for the 2020 taxation year.

Under the flat rate method, individuals can claim a deduction at a flat rate of \$2 each day they worked from home up to a maximum of \$400, if they meet the following conditions:

1. They worked from home in 2020 due to the COVID-19 pandemic, or was required by their employer to work from home;
2. They worked more than 50% of the time from home for at least four consecutive weeks in 2020;
3. They were required to pay at least some home office expenses (i.e., not all expenses were reimbursed by the employer); and
4. They are not claiming any other employment deductions.



Neither Form T2200 nor Form T2200S is required under the flat rate method given the above conditions having been met.

Alternatively, individuals can use the detailed method and claim the cost of home office expenses without a maximum limit (but not exceeding their employment income for the year), if they meet the following conditions:

1. They worked from home in 2020 during the COVID-19 pandemic, or was required by their employer to work from home;
2. They worked more than 50% of the time from home for at least four consecutive weeks in 2020;
3. They were required to pay for the home office expenses (i.e., no reimbursement was received); and
4. They received a signed Form T2200S or Form T2200 from their employer.

Form T2200S is required only when claiming office supplies and home office expenses under the detailed method. For individuals who are seeking to claim additional employment expenses (e.g. motor vehicle expenses), the standard Form T2200 is required.

Examples of eligible office supplies and home office expenses include:

- Paper, toner, ink cartridges, postage, etc.
- Utilities (i.e. electricity, heating, water), maintenance, and rent
- Property taxes and home insurance (for commission employees only)
- Mortgage interest or capital expenses are not eligible

Additional information can be found in the following link: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229-other-employment-expenses/work-space-home-expenses/what-changes.html>

Changes to 2020 T4 Reporting by Employers

The CRA is requiring employers to include additional information on 2020 T4 slips to assist in validating employees' wages during periods where benefits under the Canada Emergency Response Benefit (CERB) or the Canada Employment Student Benefit (CESB) could have been claimed. The information will also be used to validate amounts claimed under the Canada Employment Wage Subsidy (CEWS) by eligible employers.



For employers that paid wages during the period between March 15 and September 26, 2020, T4 slips issued to employees must include a breakdown of employment income paid as follows:

Code 57 – March 15 to May 9

Code 58 – May 10 to July 4

Code 59 – July 5 to August 29

Code 60 – August 30 to September 26

The date the wages are considered paid or payable is the relevant date for determining which reporting code applies. For example, wages paid for the week ending May 8th, paid on May 15th would be reported using Code 58.

Any retroactive payments made during these periods would also be included in the appropriate period using the date actually paid regardless of when the amounts were earned.

Additional information can be found in the following link: <https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/support-employers-cra-covid-19.html>

Canadian Emergency Wage Subsidy (CEWS) Update Released for Periods 11 to 13.

As outlined in our previous communications, the CEWS has been extended to June 2021. Recently CRA released details of the criteria for periods 11, 12 and 13 of the extension (December 20, 2020 to March 13, 2021). The framework of the extension is similar to previous periods with qualifying employers subsidized for a portion of eligible employees' remuneration based on the extent of the revenue loss during the qualifying period. Changes have been made with respect to subsidy top-ups, base rates and reference periods. These changes are summarized below:

- An increase in the maximum top-up subsidy rate from 25% to 35%
- An increase in the maximum weekly subsidy for furloughed employees from \$573 to \$595
- An adjustment to the revenue reference period for Period 11 (December 20, 2020 to January 16, 2021)
- Confirmation of the base CEWS rates for Periods 11 to 13.



Details of qualifying period, base rates and related reference periods for Periods 11 to 13 are as follows:

	Claim Period	Required reduction in revenue	Reference periods for comparison under general year over year approach	Reference period for comparison under alternative approach
Period 11	December 20, 2020 to January 16, 2021	Greater than 0%	December 2020 over December 2019 or November 2020 over November 2019	December 2020 or November 2020 over average of January and February 2020
Period 12	January 17 to February 13, 2021	Greater than 0%	January 2021 over January 2020 or December 2020 over December 2019	January 2021 or December 2020 over average of January and February 2020
Period 13	February 14 to March 13, 2021	Greater than 0%	February 2021 over February 2020 or January 2021 over January 2020	February 2021 or January 2021 over average of January and February 2020

Note: The reference periods for comparison under the general year-over-year approach and the alternative approach for claim period 11 are the same as for claim period 10. This is to better align the reference periods with the claim periods.

Applicants are reminded the calculation of the qualifying revenues reference period must be consistent for Periods 1 to 4 and Periods 5 onwards.

Additional details of the extended period's criteria can be found in CEWS FAQ # 5 in the following link: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-frequently-asked-questions.html>

Please note that due to the rate at which the current COVID-19 situation is changing, and the response by government to feedback on its initiatives, the information contained in this update is accurate as of the release date indicated above.

