



CRA Emergency Measures: \$55 Billion in Tax Deferrals Earmarked

Description

Countries around the world are rolling out stimulus plans as a way to buy time until COVID-19 is curtailed. In Canada, the government response is a massive package totalling \$82 billion. The package is a combination of a fiscal stimulus and tax deferral to minimize the economic damage by the pandemic and oil prices.

About \$27 billion is financial support for individuals and companies. The \$55 billion from out of the total amount is for temporary tax deferrals for businesses and households. On the part of the Canada Revenue Agency (CRA), the [initial prompt action](#) was to extend tax filing and tax payment deadlines.

Tax breaks

The CRA extension has moved the tax filing deadline for individuals to June 1, 2020, while all taxpayers can defer tax payments until after August 31, 2020. The deferral covers payment of any income tax amounts owing on or after March 18 and before September 2020.

Conversely, all businesses can defer tax payments until after August 31, 2020, with the income tax amounts and period of coverage the same as that of individual taxpayers.

More financial support

For workers affected by the outbreak, there will be a taxable \$2,000 monthly benefit for up to four months. The benefit is also available to affected Canadian workers whether or not they are eligible for Employment Insurance. Similarly, a [wage subsidy](#) for three months will be provided to eligible small employers.

The Bank of Canada already slashed key interest rates last month by 0.75%, its lowest level since September 2017. There's also a \$10 billion business credit support.

The government can also enhance liquidity through the standing U.S. dollar liquidity swap line

arrangements in coordination with other central banks.

Temporary layoffs

In such a destructive environment, companies have no option but to implement temporary layoffs. It's the practical and economical alternative to be able to navigate the pandemic.

Integrated tour operator **Transat** (TSX:TRZ) is temporarily letting go of 3,600 workers representing about 70% of its total workforce. This \$260.8 million company made the painful decision following the closure of Canada's borders and the stop of non-essential travel worldwide.

The layoffs, which include all flight crew personnel, took effect immediately, while others were given advance notice of up to one month. The same measures apply to Transat has employees stationed in other countries. Executives who are not part of the layoffs have voluntarily agreed to salary cuts.

Transat runs leisure carrier Air Transat. In August of 2019, shareholders overwhelmingly approved **Air Canada's** offer to buy the company. But there's uncertainty as to how the deal could still push through. The tourism and travel industry is the hardest hit by the outbreak and an industry bailout might be in order.

The shares of Transat are tanking in the stock market. As of this writing, the price is \$6.91, a sharp 57.31% drop from \$16.19 at the beginning of 2020. Recovery is an uphill battle.

Escalating disruption

The level of disruption is escalating with more new COVID-19 infections. Taxpayers should support government initiatives and the CRA's tax breaks to prevent financial dislocations.

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Date

2025/09/19

Date Created

2020/04/09

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