Chartered Professional Accountants of Canada

Remarks to the

House of Commons Standing Committee on Finance

on the Government’s Response to the COVID-19 Pandemic

May 1, 2020

Check against Delivery
Thank you, Mr. Chair and Members.

I am Joy Thomas, President and CEO of Chartered Professional Accountants of Canada. With me is Bruce Ball, Vice President of Tax.

Thank you for your invitation and it is a pleasure to speak virtually with you today.

The federal government has acted swiftly and decisively through its COVID-19 Economic Response Plan to provide direct assistance, tax payment deferrals, and credit and liquidity support at a time when it is urgently needed.

The accounting profession appreciates that we need to take these measures now, while at the same time it is cognizant of the work ahead to manage the nation’s finances.

We’ve been asked by the committee to speak to the theme of “Support for Canadians Not Eligible for Existing Measures”.

CPA Canada supports the federal government’s plan.

Unfortunately, when dealing with a response of historic magnitude and extreme time pressures, there will be certain individuals and businesses that are overlooked among the initial stimulus measures. This has happened and the government deserves credit for making adjustments to assist some of those who have fallen through the cracks and are not eligible for government support.

We’ve seen that with the enhancements with the Canada Emergency Wage Subsidy program, the Canada Emergency Response Benefit and the Canada Emergency Business Account. We’ve also seen it with the additional support being provided to vulnerable Canadians, students and graduates, essential workers who are keeping us safe, and seniors who helped build this great country.

Please note that we have attached an appendix to our remarks that highlights situations where there are gaps in support. It’s vital that existing gaps be addressed and we understand that some of these issues are being actively considered by the government. CPA Canada welcomes the opportunity to participate in today’s discussion. As always, we are appearing here to support Canadians, our businesses and our society at large.

Our organization maintains good working relationships with parliamentarians and senior government officials. In particular, we would like to acknowledge the commitment and dedication of the Canada Revenue Agency and Finance Canada. Extending numerous tax deadlines and providing greater clarity around the wage subsidy program are appreciated by tax professionals and their clients – including small to medium sized businesses and individual taxpayers.
The key issues that we’re hearing from members around shortfalls in support relate to the Canada Emergency Wage Subsidy program. Specific issues include:

- Certain partnership arrangements are not eligible – such as private/public partnerships and partnerships involving pension funds.

- Some cost sharing or paymaster arrangements remain problematic.

- The monthly revenue test does not work in some situations – for seasonal businesses or in other businesses where revenue does not occur on a consistent monthly basis.

- A number of technical issues that need to be worked through on the wage subsidy.

We are also hearing that extensions to other tax deadlines are needed, as outlined in the appendix. We are currently discussing this issue with the CRA.

I am proud of the CPAs who are making a positive difference by helping individuals and businesses across our country. This includes those CPAs who are supporting front-line healthcare workers by offering to prepare their returns, free of charge, through the Accounting for Bravery program in some provinces. Elsewhere there are other initiatives, such as virtual tax clinics to help low-income and vulnerable Canadians with tax filings. CPA Canada is also doing its part by developing financial literacy and other resources to support members in helping Canadians and businesses survive through the COVID-19 pandemic and prepare for recovery.

We are all rising to the challenge and collectively we will get through this crisis. The talks around a gradual re-opening of the economy are promising. However, as leaders start to think about gradually ramping up our economy, there are many considerations at play and much at risk. Any re-opening needs to ensure that the health of Canadians is protected, workers are supported, and decisions are data-driven and evidence-based. Ultimately, Canada will need a plan for recovery toward a sustainable economy with resilience for the future.

Thank you. Bruce and I look forward to taking your questions.
APPENDIX

To: House of Commons Standing Committee on Finance

Re: Study on the Government’s Response to the COVID-19 Pandemic
    Panel on Support for Canadians Not Eligible for Existing Measures (May 1, 2020)

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ISSUES

Canada Emergency Wage Subsidy

• Exclusion of certain partnership arrangements where one of the partners is an ineligible entity. This would involve private/public partnerships and pension funds as investors. We understand a similar issue on indigenous businesses has been resolved.

• Cost sharing or paymaster arrangements – there are examples beyond affiliated groups which remain problematic. For example, where one entity handles payroll issues and legally employs staff on behalf of another entity. There is an issue as the revenue and salaries are mismatched.

• Situations where the revenue test does not fully gauge the financial impact on the business. For example, where costs have gone up while revenue has not gone down enough to qualify. While there may not be a solution to this issue, it remains a concern to those affected.

• In terms of charities and NPOs, it is possible that some are not meeting the 15%/30% test while their costs are higher due to pandemic impacts and activities.

• There are a number of possible variations, but a monthly revenue test can provide unusual results for seasonal businesses or businesses where revenue does not arise on a consistent monthly basis. Using the cash method may not help if cash flows are also erratic. Another issue that has arisen is where a business earns revenue through long-term contracts.

General comment

• Overall, it would appear that there has been good coverage with the various programs, especially if some of the more specific or technical issues on the CEWS program are resolved.
Tax Deadlines

- CPA members advise that more extensions may be needed. The main reasons are that other work will take time in May and June such as T1 returns generally and the work being done to help clients make applications for assistance. Also, there has been a loss of capacity generally. Finally, issues remain regarding the ability of tax practitioners to obtain all the information that is needed to do tax compliance work for their clients due to social distancing.

- Specific suggestions include:
  - Provide an extension for the June 15th deadline for personal tax returns for self-employed individuals. Many practitioners normally do this work after the normal April 30th deadline for personal returns.
  - Provide a specific extension for corporations, as many have December year-ends where the corporate tax returns are due June 30th. Under normal circumstances, this work is done in May and June. However, tax practitioners are heavily engaged with T1s and applications for the subsidy programs at present and will continue to be in the immediate months ahead.
  - Provide more guidance for situations where a deadline will be missed due to logistical issues around getting the required information. To date, the government has referred to the taxpayer relief program generally, but more guidance in advance of upcoming deadlines would be appreciated.

Overall:

Some of these issues are under consideration at present by the government.