

Toronto Musicians' Association
Local 149 American Federation of Musicians
Canada Recovery Benefit Webinar
February 11, 2021

Agenda

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1. Program Overview

2. Eligibility Criteria

3. Penalties

4. Clawback

5. Tax Return Reporting

Program Overview

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The following is a summary of the key aspects of the Canada Recovery Benefit (the “CRB”), which took over once the CERB program ended on October 3, 2020:

- Provides **a net \$900 payment** (\$1,000 less 10% withholding tax) per eligibility period (“EP”);
- Each EP is **two weeks** in length and starts on a Sunday and ends on the Saturday of the second week;
- The program has **26 EPs** that go from **Sunday, September 27, 2020 to Saturday, September 25, 2021**;
- An individual can apply for **a maximum of 13 EPs** (i.e.: can receive **a maximum of \$11,700 after-tax**)
 - The 13 periods **do not have to be taken consecutively**;

Program Overview

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- Cannot apply for a specific EP until ***the first Monday after*** that period has ended
 - For example: on Monday, February 1, 2021, applications for the January 17 to 30 period open; and
- Retroactive applications are allowed for a specific EP ***up to 60 days after*** it has ended
 - The five EPs covering September 27 to December 5, 2020 are closed for retroactive applications.
 - Members can check which periods remain open at:
 - <https://www.canada.ca/en/revenue-agency/services/benefits/recovery-benefit/crb-periods-apply.html>

Eligibility Criteria

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NEW OVERRIDING OUT OF COUNTRY TRAVEL RULE (the “Travel Rule”)

- New legislation proposed on January 11, 2021;
- Applies to eligibility periods starting on or after January 3, 2021;
- Applies to ***all international travellers*** who must quarantine upon returning to Canada;
- Per the Travel Rule, individuals ***cannot claim the CRB (or either of the CRCB and CRSB) during their mandatory quarantine period*** even if all other eligibility criteria are met.

Eligibility Criteria (cont'd)

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For *each EP applied for*, a TMA member must meet *all* of the following conditions to qualify for the CRB for that EP:

- **Employment/Income Reduction Test**
 - Was not employed for self-employed for reasons related to COVID, or
 - Incurred *a 50% reduction in average weekly income (“AWI”)*, for reasons related to COVID, compared to the previous year.
 - Can you use either *2019, 2020 or the previous 12 months that end before the EP* to calculate AWI;
 - For example:
 - In 2019, individual made \$41,600, or an average of \$800/week.
 - For the January 3 to 16, 2021 EP, individual earned \$500, or an average of \$250/week.
 - Since \$400 (\$800 x 50%) is greater than \$250, individual is eligible for CRB for that EP.
 - For self-employed members, income means *net income*.
 - Members have the *choice between the cash and accrual methods* for determining net income but *method used must be consistent across all EPs*.

Eligibility Criteria (cont'd)

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- **Employment/Income Reduction Test (cont'd)**

- Any expenses relevant to multiple EPs *must be allocated on a reasonable basis*. For example:
 - Member pays \$2,000 for rent in February 2021;
 - 15% of their home is used as a studio, allowing a deduction of \$300 as rent expense;
 - Reasonable allocation per EP occurring in February 2021:

Period	Days in February (A)	Allocated Amount (\$300 / 28 days x A)
Jan. 31 to Feb. 13	13	\$140
Feb. 14 to Feb. 27	14	150
Feb. 28 to Mar. 13	1	10
	Total	<u>\$300</u>

Eligibility Criteria (cont'd)

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- **Employment/Income Reduction Test (cont'd)**
 - Cash method recognizes revenue and expenses in the period funds are received or paid.
 - Accrual method attempts to match earned revenues and expenses in the same period.
 - Cash versus accrual example for the January 17 to 30 and January 31 to February 13 EPs:

Item – Cash Method	Jan. 17 to 30	Jan. 31 to Feb. 13
Jan. 20 - \$50 Zoom music lesson. Paid same day.	\$ 50	\$ NIL
Received \$2,000 deposit for Feb. 2021 voice-over work.	2,000	NIL
Mic rental for voice-over work. Paid \$75 on Jan. 30.	(75)	NIL
\$2,000 rec'd Feb. 8 for completion of voice-over work.	NIL	2,000
Music used in Schitt's Creek ep. airs on Jan. 20. \$250 royalty received Feb. 10, 2020.	NIL	250
Net income	<u>\$1,975</u>	<u>\$2,250</u>

Eligibility Criteria (cont'd)

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- **Employment/Income Reduction Test (cont'd)**

Item – Accrual Method	Jan. 17 to 30	Jan. 31 to Feb. 13
Jan. 20 - \$50 Zoom music lesson. Paid same day.	\$ 50	\$ NIL
Received \$2,000 deposit on Jan. 25 re: Feb. 2021 voice-over work.	NIL	2,000
Mic rental for voice-over work. Paid \$75 on Jan. 30	NIL	(75)
\$2,000 rec'd Feb. 8 for completion of voice-over work.	NIL	2,000
Music used in Schitt's Creek ep. airs on Jan. 20. \$250 royalty received Feb. 10, 2020	250	NIL
Net income	<u>\$300</u>	<u>\$3,925</u>

- The cash method is more straight-forward and members are encouraged to use that approach.

Eligibility Criteria (cont'd)

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- **Other Benefits Test**
 - Must not have applied for, or received, **any of CRSB, CRCB, short-term disability benefits or EI benefits** during the EP being applied for.
- **Not Be EI Eligible during the EP**
- **Residency and Age Test**
 - Must live at in a home in Canada but **does not have to be a Canadian citizen or permanent resident;**
 - Must be at least 15 years old and have a valid SIN.
- **Income Threshold Test**
 - Individual earned **at least \$5,000** in either **2019, 2020 or the previous 12 months that end before the EP** from any, or a combination of, the following sources:
 - Gross employment income;
 - Net self-employment income; and
 - EI maternity and parental benefits.
 - **Tips, royalties and honoraria are included** in the \$5,000 calculation.

Penalties

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If an individual meets any of the following conditions, they can lose partial or full CRB program eligibility:

- Unless it was **reasonable** to do so, if **on or after September 27, 2020**, an individual **voluntarily quit their job, or reduced their hours**, they will **not be eligible for the CRB for any period**.
 - Guidance around what is “reasonable” is lacking from the CRA.
 - CRA has stated on its website that having someone at home who is immune compromised **is not** a reasonable reason since an employer “must provide a safe work environment”.
 - The CRA has also been asked whether workplace harassment meets their “reasonable” threshold and provided this response on their website:

▼ Can I get the Canada Recovery Benefit if I quit my job? What if I had a good reason to quit, such as harassment or unsafe working conditions?

If you quit your job or stop working after September 27, 2020 and it was not reasonable to do so, you will no longer be eligible to receive any support through the Canada Recovery Benefit.

- With the lack of guidance from the CRA, any TMA member that is concerned about losing eligibility for leaving a job/contract should contact their accountant or tax advisor before applying for the CRB.

Penalties (cont'd)

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- For a specific EP, if an individual ***declined reasonable work during that two-week time***, they:
 - ***Lose 5 EPs*** (i.e.: leaves only 21 of the 26 EPs accessible);
 - Must wait ***5 consecutive EPs before*** they are able to re-apply; and
 - Will face ***another penalty for any subsequent unreasonable refusals to work*** during an EP that was applied for.
- If an individual ***is not working*** during a specific EP, they ***must have been seeking work*** (either as an employee or through self-employment) ***during that two-week period***, otherwise, ***they are ineligible*** for the CRB for that EP.
 - Members should retain any records, such as emails and text messages, to corroborate job/work searches were done for periods they were not working.

Clawback

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- The CRB program provides for a 1:2 clawback of the benefit amount received when an individual's ***net income is greater than \$38,000 (the "Threshold")***.
- An individual ***must repay \$0.50 of CRB received*** in a taxation year for ***every \$1 of net income above the Threshold (the "Clawback")***.
- Applies to ***2020 and 2021 taxation years***.
- Clawback amount ***cannot exceed actual amount of benefit received***.
- Amounts payable per the Clawback are ***due at the same time as the individual's income tax return***. Generally, this is ***April 30***.

Clawback (cont'd)

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- For purposes of the Threshold, net income ***excludes CRB amounts*** received for the year ***but includes amounts received from the CERB, CRCB and CRSB programs.***
- Clawback example:
 - 2020 employment income - \$40,000;
 - CERB received - \$8,000;
 - CRB received - \$2,000; and
 - RRSP contributions - \$4,000.
 - Net income for Threshold purposes - \$44,000 ($\$40,000 + \$8,000 - \$4,000$).
 - Clawback amount payable - \$2,000.
 - Although 50% of \$44,000 less \$38,000 (i.e.: \$6,000) is \$3,000, the Clawback cannot exceed the actual amount of CRB received of \$2,000.

Tax Return Reporting

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Thankfully, it is much easier for individuals to properly report CRB than it is to figure out if they qualify. With that said, TMA members should be aware of the following:

- The CRA must provide all individuals who received the CRB in 2020 (or 2021) with a **T4A – Statement of Pension, Retirement, Annuity & Other Income slip (“T4A”)** by **February 28, 2021 (or 2022)**. CRB amounts received will be **shown in box 202** on the T4A.
 - The T4A will also disclose the amount of income tax withheld on CRB payments.
- CRB amounts received should be shown on line 13000 of the return (amounts follow the example from the

Other income	Specify: Per summary	13000	10,000	00
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Includes \$2k CRB and \$8k CERB

Line 29 minus line 47 (if negative, enter "0")	This is your net income before adjustments.	23400	46,000	00	48
Social benefits repayment (If you reported income at line 8 and the amount at line 48 is more than \$67,750, see the repayment chart on the back of your T4E slip. If you reported income on lines 3 or 26, and the amount at line 48 is more than \$79,054, or you have an amount at code 202 on your T4A slip, and the amount at line 48 is more than \$38,000, complete the chart for line 23500 on the Worksheet for the return. Otherwise, enter "0")		23500	2,000	00	49
Line 48 minus line 49 (if negative, enter "0")	This is your net income.	23600	44,000	00	50

Tax Return Reporting (cont'd)

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- The Clawback amount is then added to the individual's total taxes payable:

Step 7 – Refund or balance owing

Net federal tax: enter the amount from line 126.	42000	4,428	90	127
CPP contributions payable on self-employment and other earnings (complete Schedule 8 or Form RC381, whichever applies)	42100	0	00	128
Employment insurance premiums payable on self-employment and other eligible earnings (complete Schedule 13)	42120	0	00	129
Social benefits repayment (amount from line 49)	42200	2,000	00	130
Provincial or territorial tax (attach Form 428, even if the result is "0")	42800	2,127	46	131
Add lines 127 to 131. This is your total payable.	43500	8,556	36	132

- Tax preparation software automatically does these calculations. However, if an individual is filing themselves, a workchart to calculate the Clawback can be found at <https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/5000-d1/5000-d1-20e.pdf>. The Clawback section is on page 2.

Benefit Relief Provisions

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On February 9, 2021, the Federal Government announced the following relief provisions:

- **Waiver of CERB Repayment (the “Waiver”)**
 - Applicable to *self-employed individuals* who:
 - Received the CERB; and
 - Were required to repay because their reference period net self-employment income was less than \$5,000.
 - Requirement to repay is waived if the individual:
 - Had ***at least \$5,000 of gross self-employment income*** in the reference period; and
 - Met ***all other*** eligibility criteria.
- CERB ***amounts already repaid by Waiver-eligible individuals will be refunded*** by the government.

Benefit Relief Provisions (cont'd)

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- **Targeted Interest Relief**
 - Applicable to **any** individual who:
 - Had **taxable income of \$75,000 or less** in 2020; and
 - In 2020, received one or more of:
 - CERB, CRB, CESB, CRSB and CRCB;
 - EI benefits, or
 - Similar provincially administered emergency benefits.
 - Eligible individuals **will not be charged interest on unpaid 2020 income tax debt until April 30, 2022.**

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Questions?