



## Portfolio Strategy

After entering into the fastest bear market ever during March, markets snapped back strongly in April entering into another bull market (which by definition is a climb of 20% or more from its trough). While there remains much uncertainty with regards to how or when global economies will return to some sort of normalcy, there have been a number of encouraging signs which have lifted equity markets around the world. There has been evidence that social distancing has helped “flatten the curve” of many countries infection rate, a number of drugs for treatment or vaccine development have had encouraging early results and some countries have started opening up segments of the economy after a near total shutdown of the world economy in March. For the month of April equity markets in Canada and the US each saw double-digit performance gains.

In fixed income, after seeing spreads widen significantly for corporate bonds in March, April saw improvement in this area while the overall bond market made solid gains. Our positions in preferred shares also saw strong gains during the month, almost climbing by double-digits. With interest rates at historically low levels, we continue to like the higher relative yields offered by our preferred shares over bonds.

We didn't make any significant changes to our portfolios during the month of April as we continue to monitor economic and financial markets. Our key equity indicator, which moved into the red during March, climbed into yellow (or neutral) during April, suggesting that markets are showing signs of recovery. We maintain an overweight position to cash for the time being, however we continue to look for opportunities to deploy into equities.

## Update on Canada's COVID-19 Economic Response Plan

In response to the COVID-19 outbreak, on March 18, 2020, the federal government announced an initial economic proposal that included many significant fiscal and tax measures. Since this date,

several measures have been enacted into law and additional measures proposed to boost the amount of support to Canadians and businesses. The **attached** document is a summary of select measures released to date.

As always, if you have any questions, please do not hesitate to contact us.

**Please note: We cannot take trading instructions via email or voice mail, please contact your Investment Advisor directly.**

For disclaimer details, please click here: <http://www.bmo.com/nesbittburns/popups/about-us/disclaimers>

# Update on Canada's COVID-19 Economic Response Plan

## Summary of Federal Fiscal and Tax Measures to Support Canadians and Businesses

In response to the COVID-19 outbreak, on March 18, 2020, the federal government announced an initial economic proposal that included many significant fiscal and tax measures. Since this date, several measures have been enacted into law and additional measures proposed to boost the amount of support to Canadians and businesses<sup>1</sup>. The aid package includes a deferral of certain tax return filing deadlines, deferral of certain personal and corporate tax liabilities, a 25% reduction in required 2020 RRIF minimum withdrawals and wage subsidies for Canadian businesses.

The following is a summary of select measures released to date:

### Individual Support for Canadians

**Canada Emergency Response Benefit (CERB)** – The CERB replaces the previously announced Emergency Care Benefit and Emergency Support Benefit. This taxable benefit will provide eligible workers (including self-employed individuals and contract workers who would not otherwise be eligible for Employment Insurance), who have ceased working as a result of COVID-19, with \$2,000 per month for up to 4 months. Workers who are sick, quarantined or taking care of family members sick with COVID-19; and working parents with children who require care due to school closures may also qualify. To be eligible under the current rules, a worker must reside in Canada; be at least 15 years old; have had income of at least \$5,000 in 2019 or in the 12 months prior to the application date; and have not quit their job voluntarily. Although applicants were originally required to be without employment or self-employment income for at least 14 consecutive days in the initial four week period, and have no employment income in the remaining benefit periods; the rules were recently relaxed to allow up to \$1,000 of income for a period of at least 14 consecutive days within the initial four week period of a claim, or \$1,000 in total for each subsequent claim.

**GST Tax Credit** – A one-time special payment by early May 2020, through the Goods and Services Tax credit (GSTC). This will double the maximum annual GSTC payment amounts for the 2019-20 benefit year. The average boost to income for those benefitting

from this measure will be close to \$400 for single individuals and close to \$600 for couples.

**Canada Child Benefit (CCB)** – Proposal to increase the maximum annual Canada Child Benefit (CCB) payment amounts, only for the 2019-20 benefit year, by \$300 per child. The overall increase for families receiving CCB will be approximately \$550 on average; these families will receive an extra \$300 per child as part of their May 2020 payment.

**Student Loans Relief** – A six-month interest-free period on the repayment of Canada Student Loans for all individuals currently in the process of repaying these loans.

**RRIF Withdrawals** – In recognition of volatile market conditions and their impact on many seniors' retirement savings, a reduction in the required minimum Registered Retirement Income Fund (RRIF) withdrawals by 25% for 2020. Similar rules would apply to individuals receiving variable benefit payments under a defined contribution Registered Pension Plan. However, individuals who have already withdrawn more than the reduced 2020 minimum amount will not be permitted to re-contribute to their RRIFs an amount up to the 25% proposed reduction. In addition, tax will only be withheld if an individual withdraws more than their previous unreduced minimum amount for 2020.

**Flexibility/Deferrals for Taxpayers<sup>2</sup>** – Deferral of tax filing due dates for tax returns of individuals, including certain trusts, as follows:

- Individuals: The 2019 individual income tax return deadline will be deferred (from April 30) until **June 1, 2020**<sup>3,4</sup>. However, individuals entitled to a refund or those who expect to receive benefits under the GST or the Canada Child Benefit are encouraged not to delay the filing of their return.
- Trusts: For trusts having a taxation year ending on December 31, 2019 (including typical family trusts), the return filing due date will be deferred (from March 30) until **May 1, 2020**. For trusts that would otherwise have a filing due date in April or May, those return due dates have been extended to June 1, 2020.

- *Quebec Tax Filers:* Similarly, Quebec announced that it will extend the deadline for filing 2019 individual income tax returns to June 1, 2020<sup>3</sup>, and for trusts having a year end December 31, 2019 to May 1, 2020.
- *Deferral of tax balances due:* Individuals will also be able to defer the payment of any income tax balance due on their 2019 income tax return from April 30, 2020 to September 1, 2020. Any instalment balances otherwise due on June 15, 2020 have also been extended to September 1, 2020. No interest or penalties will accumulate on these amounts during this period. Trusts that have an income tax balance due date, or an income tax instalment payment due date on, or after, March 18 and before September 1, 2020, will have their payment due date effectively extended to September 1, 2020.
- *Quebec Tax Filers:* To harmonize its practices with the federal measures, Quebec has also extended the deadline for final balances owing (including the June 15, 2020 instalment) for individual income tax liabilities for the 2019 tax year, to September 1, 2020. Trust tax balances owing on March 17, 2020 or later, can pay their balances by September 1, 2020.

## Support for Businesses

**Canada Emergency Wage Subsidy (CEWS)** – To support businesses facing revenue losses and to help prevent layoffs, the government is proposing a temporary 75% wage subsidy to eligible employers for a twelve week period, retroactive from March 15, 2020 to June 6, 2020. The subsidy would provide employers with 75% of an employee’s pre-crisis weekly earnings to a maximum of \$847 per week, with no limit on the amount that an eligible employer can claim. The employer would be expected, where possible, to maintain the employees’ full pre-crisis remuneration. In this regard, the government is also proposing that employers eligible for the CEWS be entitled to receive a refund for certain employer-paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan.

An eligible employer includes taxable corporations, individuals, registered charities and non-profit organizations. To qualify for the subsidy as originally announced, the eligible employer would be required to attest to a drop of at least 30% of their revenue over the same monthly period in 2019. However, the government recently proposed additional flexibility to allow employers to compare their revenue of March, April and May 2020 to that of the same month of 2019, or to an average of their revenue earned in January and February 2020. Furthermore, for March 2020, the government proposes to reduce the 30 per cent benchmark to 15 per cent, in recognition of the fact that many businesses did not begin to be affected by the crisis until partway through the month.

**Note that the CEWS has not yet been formally enacted into law, so further amendments may be forthcoming. Please consult with your tax advisor for additional details.**

The CEWS does not replace the previously enacted 10% wage subsidy, which provides 10% of eligible remuneration paid during the three month period of March 18 to June 19, 2020 to a maximum of \$1,375 per employee and \$25,000 per employer. The 10% wage subsidy will still be available to those business that do not qualify for the CEWS, and where an employer is eligible for both subsidies, any amount claimed under the 10% subsidy for the period will generally reduce the amount available to the employer under the new Canada Emergency Wage Subsidy. Unlike the CEWS, which will be paid directly by the CRA once processed, this subsidy will enable employers to reduce their monthly payroll income tax remittances to the federal government. Both of these wage subsidies are considered government assistance and would therefore be included in the employer’s taxable income.

**Flexibility/Deferrals for Corporate Income Taxes<sup>2</sup>** – Corporations that would otherwise have a corporate income tax return due date after March 18 and before June 1, 2020, can defer filing their return until June 1, 2020. The Canada Revenue Agency will also allow all businesses to defer, until September 1, 2020, the payment of any income tax amounts that become owing or due on, or after, March 18 and before September 1, 2020. This relief would apply to tax balances due, as well as instalments<sup>5</sup>. No interest or penalties will accumulate on these amounts during this period.

*Quebec Tax Filers:* For Quebec corporate filers, balances owing as of March 17, 2020 are deferred until September 1, 2020. Quebec has also extended the tax filing deadline (until June 1, 2020) to file the Déclaration de revenus des sociétés (CO-17) form, if the six month deadline following the corporation’s taxation year end would otherwise fall in the period between March 17, 2020 and May 31, 2020.

### Deferral of Sales Tax Remittance and Customs Duty Payments

The government is also allowing businesses, including self-employed individuals, to defer until June 30, 2020 payments of the GST/HST, as well as customs duty owing on their imports. Specifically, any GST/HST payment that becomes owing from March 27 until the end of May can be deferred until the end of June<sup>6</sup>. For GST and customs duty payments for imported goods, deferral will include amounts owing for March, April and May. These amounts were otherwise due to be submitted as early as the end of March 2020.

### Canada Emergency Business Account

To assist small businesses in accessing capital, the Federal government also announced the launch of several new loan programs for businesses, including the new “Canada Emergency Business Account”, which will be implemented by eligible financial institutions in cooperation with Export Development Canada (EDC).

This \$25 billion program will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus.

To qualify, these organizations will need to demonstrate they paid between \$20,000 to \$1.5 million in total payroll in 2019. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

**Note that certain measures introduced are only proposals at this stage and may be amended before receiving Royal Assent to be formally enacted into law. Readers are cautioned to consult with their tax, legal and/or other advisors for the most current and specific advice on how they may be affected by these proposals.**



## Please contact your BMO financial professional for more details.

<sup>1</sup> For a complete review of these measures and additional announcements released, please see the following link from the Department of Finance: <https://www.canada.ca/en/department-finance/economic-response-plan.html>

For a summary of relief provided by Revenu Québec, please see the following link: [https://www.revenuquebec.ca/en/covid-19-faq/?no\\_cache=1](https://www.revenuquebec.ca/en/covid-19-faq/?no_cache=1)

<sup>2</sup> For a list of updated federal tax deadlines, please see the following link to the CRA's website:

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-filing-payment-dates.html>

<sup>3</sup> For self-employed individuals, the filing deadline remains at June 15, 2020.

<sup>4</sup> The filing deadline for an individual's 2019 T1135 – Foreign Income Verification Statement has also been extended to June 1, 2020.

<sup>5</sup> Under Part I of the Income Tax Act.

<sup>6</sup> A formal extension for filing GST/HST returns has not been provided. Those who are able to should file their GST/HST returns on time, however CRA has indicated it would not impose penalties where a return is filed late provided that it is filed by June 30, 2020.



BMO Wealth Management is a brand name that refers to Bank of Montreal and certain of its affiliates in providing wealth management products and services. Not all products and services are offered by all legal entities within BMO Wealth Management.

BMO Private Banking is part of BMO Wealth Management and is a brand name under which banking services are offered through Bank of Montreal, investment management services are offered through BMO Private Investment Counsel Inc., a wholly-owned indirect subsidiary of Bank of Montreal, and estate, trust, planning and custodial services are offered through BMO Trust Company, a wholly-owned subsidiary of Bank of Montreal.

BMO Nesbitt Burns Inc. provides comprehensive investment services and is a wholly-owned subsidiary of Bank of Montreal. If you are already a client of BMO Nesbitt Burns Inc., please contact your Investment Advisor for more information. All insurance products and advice are offered through BMO Estate Insurance Advisory Services Inc. by licensed life insurance agents, and, in Quebec, by financial security advisors.

® "BMO (M-bar Roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.

All rights are reserved. No part of this publication may be reproduced in any form, or referred to in any other publication, without the express written permission of BMO Wealth Management.