

Winter 2020

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Federal government support related to COVID-19: Tax implications you can expect in 2020

The COVID-19 pandemic is imposing unprecedented strains on our economy and on our personal financial situations. The federal government continues to modify its programs that offer targeted support for individuals, businesses and other organizations. If you have received any of these benefits, there may be personal and corporate tax implications to you. Here is an update as of October 9 on these programs and what they might mean to your 2020 income tax return.

For individuals

Some programs ended

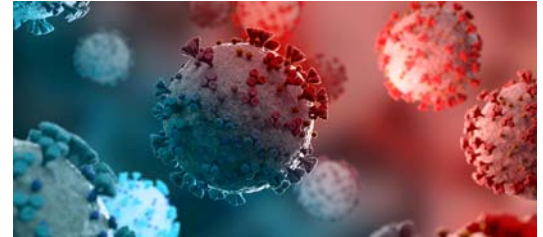
The Canada Emergency Response Benefit (CERB) provided financial support to employed and self-employed Canadians who were directly affected by COVID-19. It covered the period from March 15 to September 26, 2020. The benefit was \$2,000 per four-week period, with a maximum of seven four-week periods.

The Canada Emergency Student Benefit (CESB) was available to post-secondary students and recent graduates of high school, college and university programs. Applicants received \$1,250 for each four-week period to a maximum of four four-week periods between May 10 and August 29, 2020. Disabled students and those with dependants received an additional \$750 per period.

Both the CERB and the CESB payments will be included in the individual's taxable income for 2020 and, unlike income from employment and Employment Insurance (EI) payments, no income tax was withheld at source from these payments.

New programs now available

These programs have ended and were replaced by three new benefit programs that are also taxable but, unlike the CERB and the CESB, income tax is being withheld from these payments at a rate of 10%.



The Canada Recovery Benefit (CRB) is for those who are unable to work and who are not eligible for EI. Payments are \$1,000 every two weeks, with \$100 withheld for income tax, for a maximum of 13 two-week periods between September 27, 2020 and September 25, 2021. In addition, if your total income for 2020 (excluding the CRB) exceeds \$38,000, you will be required to pay back \$0.50 of the CRB for every dollar by which other income exceeds the \$38,000 threshold.

The Canada Recovering Caregiving Benefit (CRCB) is designed to support those who are unable to work because they must care for their child under 12 years old or a family member who needs supervised care if their school, regular program or facility is closed because of COVID-19 or because they are sick, self-isolating or at risk of serious health complications due to COVID-19. Payments are \$500 per week, with \$50 withheld for income taxes, for a maximum of 26 weeks between September 27, 2020 and September 25, 2021.

The Canada Recovery Sickness Benefit supports those who are unable to work because they are sick or need to self-isolate due to COVID-19. Payments are \$500 per week, with \$50 withheld for income taxes, for a maximum of two weeks between September 27, 2020 and September 25, 2021.

You can calculate your owings in advance

In the absence of income tax withholding on the CERB and the CESB, as well as relatively low withholding rates on the three new benefits, any EI payments or any withdrawals from Registered Retirement Savings Plans (RRSPs) may lead to some unexpected and unpleasant news when the 2020 tax returns are prepared.

You can estimate what you owe by first adding up all your sources of income in 2020, including pre-COVID-19 employment income, the CERB and other COVID-19 related benefits, EI payments and any other sources of income, then you estimate the income taxes that are owed on that amount, and compare that to the total income tax that was withheld from your employment income, EI or the newer COVID-19 benefits.

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Federal government support related to COVID-19: Tax Implications you can expect in 2020 - continued

Tools such as the [EY online personal tax calculator](#) can be very useful to estimate the taxes payable in your province or territory (assuming that you only qualify for the basic personal amount credit).

Certain COVID-19-related benefits are not taxable and do not have to be reported on your tax return. These include the doubling of the Goods and Services tax credit and the one-time payments to seniors and individuals with disabilities. Seniors received \$300 in September 2020; those who received the Guaranteed Income Supplement received an additional \$200 for a total of \$500. Individuals with disabilities, other than seniors, will receive one-time payments of \$600 at the end of October 2020. Disabled seniors will receive "top-up" payments of either \$300 or \$100 to bring their one-time senior benefits noted above up to the total of \$600.

For businesses

Programs still available, new ones proposed

The Canada Emergency Wage Subsidy (CEWS) covers a portion of an employee's wages for eligible employees to allow employers to re-hire their employees or avoid layoffs. It is available to Canadian employers who have seen a decrease in revenue due to COVID-19 and is taxable for the qualifying period to which it relates, not when it is received. On October 9, it was proposed that the CEWS will be extended through June 2021.

The Canada Emergency Business Account (CEBA) provides interest-free loans of up to \$40,000 to small business and not-for-profit organizations. Repaying the balance of the loan on or before the end of 2022 will result in 25% of the loan being forgiven. On October 9, the federal government proposed that an additional \$20,000 interest-free loan would be available, with half this amount being forgivable if the loan is repaid by the end of 2022. The Canada Revenue Agency has confirmed that the forgivable portion of the CEBA must be included in taxable income in the year that it is received. If the forgivable portion has to be repaid (e.g., if the loan is not repaid by the end of 2022) the forgivable portion can be deducted when the loan is repaid.

The Canada Emergency Commercial Rent Assistance (CECRA) provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, property owners reduced rent by at least 75% for the months of April through September for their small business tenants. The CECRA provided a forgivable loan for 50% of the rent otherwise payable, with the tenant paying up to 25% and the property owner forgiving at least 25%. As with the CEBA, the CECRA should be included in taxable income when it is received, with an offsetting deduction if and when it is repaid.

On October 9, the federal government proposed a new Canada Emergency Rent Subsidy (CERS). This will provide rent and mortgage support directly to tenants, unlike the CECRA which provided forgivable loans to landlords. It will be available to businesses, charities and non-profit organizations that have experienced drops in revenue by subsidizing rent and mortgage expenses from September 27 to December 19, 2020, on a sliding scale up to a maximum of 65% of eligible expenses. There is also a top-up available for organizations that are temporarily closed by a mandatory public health order.

Holiday Donations

In lieu of seasonal gifts to individual clients, Prentice Yates & Clark made donations to certain charities.

It is anticipated that these payments would be taxable for the qualifying period to which they relate, similar to the treatment of the CEWS.

These government benefits have played a critical role in supporting individuals and corporations through the challenges posed by the pandemic, and it is important to understand the tax treatment of these benefits so that you are not unpleasantly surprised when you file your 2020 tax returns. ♦

Whole Life Harmony – The New Work-Life Balance

As we all seek out new and *better* norms, having experienced a global pandemic, one thing for sure is that the journey to get to where



you want to go ought to feel as satisfying as possible. Consider becoming aware of and striving for *whole life harmony* – for when you are in harmony within yourself, you are in harmony with life surrounding you.

What is “whole life harmony”?

Harmony is defined as “a pleasing arrangement of parts” (dictionary.com). Think of a musical orchestra: The sound and experience is about the quality contribution of each instrument, not its quantity. On a human level, it’s a pleasing, quality arrangement of the individual showing up to the eight facets, or chords, of life. They are career, family and friends, marriage, health and self-care, fun and play, physical surroundings and personal development.

Harmony is unique to the individual. It’s what each one of us defines as important, what feels right. It’s our values-based DNA. Honouring your values is a process of alignment, and it’s this alignment that creates a steady, grounded, energized, fulfilled individual.

Why is whole life harmony important?

Whole life harmony creates an optimal experience across the board. Humans are holistic beings. How we feel in one dimension of life influences another. Take this simple example: When we are content in our personal life, we can achieve greater focus and productivity at work; and vice-versa, when our work is in a good place, we are more able to be present in our personal lives.

Why is it important for professional leaders?

Professional leaders have great responsibility given the depth and demands of their role. Since harmonizing is like tuning the chords – all eight facets, not exclusively your career – it paves the way for a pleasing performance, both professionally and personally.



Whole Life Harmony—The New Work-Life Balance - continued

Typical leaders are visionaries; the ones who stand in front to promote the vision / mission and empower the journey forward. They are tasked with connecting others to the vision. When leaders show up in a state of alignment – clarified, intentional and keys in tune – it is likely that their presence and communication will be of positive influence.

An admirable and essential skill for a leader to honour is listening. When life is in harmony, with reduced clutter and noise, the leader can hone in on their listening skills, listening to what's being said or what's not being said. They can then offer soft support in the form of compassion or empathy – or action-oriented support in the form of empowerment and innovation.

Whole life harmony also helps in creating a positive essence and respectful reputation for the leader. Leaders become worthy of following, the mission is more likely to be achieved, and the experience is one for all to enjoy.

How to get whole life harmony

Given that harmony within is medicine for the mind, body and spirit, it minimizes the stress or discord, and a weight is lifted off. Try the following practices for achieving whole life harmony, or for when you have fallen out of harmony.

1. **Conduct a self-assessment.** Do a scan of all eight of your life facets, and determine what's off. Complement your scan with inquiries like, "What's important to me?", "What do I want to feel?", "What needs attention?" or "What can I do to make it better?"
2. **Prioritize what's important.** The bottom line is, strive for quality, not quantity. As motivational speaker Michael Altshuler put it, "The bad news is time flies. The good news is you're the pilot."
3. **Look at the goods.** Of the eight facets, what good elements does each one bring you? What are you grateful for or proud of? Giving yourself appreciation and acknowledgment creates space to leverage the goods. And the added bonus? This is known to attract more of the good.
4. **Set better boundaries.** Boundaries are essential so as not sabotage you, your fine work or your quality time doing what matters. When your boundary lines are crossed, resentment seeps in and creates pitfalls that do not lead you to an inspiring place – there's much more peace to enjoy when honouring you and your boundaries.
5. **Rejuvenate.** Take time to fill up your own cup; you cannot serve from an empty one. Self-preservation, or self-care, is essential for rejuvenation, and it is your own distinct recipe. It could include a combination of time away from others, quality connection with others, exercise, good food, writing, music, outdoors, play, or wellness rituals.
6. **Consider investing in coaching and personal development.** This is an act to have a third-party professional, listen for and fan the flame toward what's important to you, so you can feel greater harmony on the inside and out.

Remember, harmony will ebb and flow rhythmically as you do, but making yourself conscious of it, being intentional and using some of these tips will help create a more manageable flow. Find your rhythm, protect it, and play the accompaniment as loud or soft as needed to achieve the tune that feels just right for you. ♦



Preserve Cybersecurity While Working Remotely

Most organizations have moved their workforces to some form of remote work as a result of the COVID-19 pandemic. Surprisingly, remote work has proven effective for many organizations, and they are now contemplating updating their remote work policies to allow employees more flexibility in a post-COVID-19 world. However, from a cybersecurity standpoint, remote work presents unique challenges and risks.

Employees may be accessing sensitive corporate data from their personal devices, or they may be using company-issued devices for corporate *and* unauthorized personal use. In both instances, hackers will prey on these distracted employees: sending them phishing emails in hopes of gaining access to the organization's network, or stealing credentials which they sell to criminals who may then launch cyberattacks.

Use these technical tips for a more secure network

That said, there are some basic steps organizations can take to improve their cybersecurity posture. Here are few technical steps you can use as a good starting point.

1. **Multi-factor authentication (MFA).** Having a strong password is no longer sufficient. Organizations that allow employees to access their work accounts with a simple username and password often fall prey to hackers. If a user's credentials are stolen by hackers,

Inside PYC

Congratulations to **Viola Bardhoshi**, CPA, CA, Manager in reaching the 15 year milestone of service at PYC. Viola received her Chartered Accountant designation in 2007 while articling at PYC.

We would like to welcome **Hamza Akhtar** and **Niall Cutbush** as new members of our professional staff.

Preserve Cybersecurity While Working Remotely - continued

MFA will offer an extra layer of protection since the hacker will not be able to access the additional unique, randomly-generated code.

The extra step in the MFA process could be an email or text message confirmation, a biometric method, such as facial recognition or a fingerprint scan, or something physical like a USB fob.

2. **Updates and patches.** During the pandemic, most IT departments were focused on moving a large portion of the organization's workforce to remote work. This may have put other IT tasks on hold, such as patching and implementing non-critical updates.

Hackers will take advantage of this delay to access networks and potentially steal data. Thus, implementing any updates and patches as quickly as possible should be a priority.

3. **Securing home routers.** Employees working from home are relying on the Internet and Wi-Fi access at their residence. Did they change their router password after it was first installed? If not, their home network may be vulnerable.

It is important to take simple steps to protect home networks and prevent hackers from having access to connected devices. While changing a router password is a good first step, your employees should take additional measures. For example:

- Ensure that firmware updates are installed, so that security vulnerabilities can be patched.
- Make sure the encryption is set to WPA2 or WPA3.
- Restrict inbound and outbound traffic.
- Use the highest level of encryption available.
- Switch off WPS.

Employees needing help with these measures should connect with your IT department.

4. **Beware of remote desktop tools.** Many employers allow staff to access their work networks via remote desktop protocols ("RDPs"). While this access method *can* be secure, several studies have found security problems with some of the most popular RDP tools for Linux and Windows. Ensuring that these tools are properly configured and tested for security is a critical step to take.
5. **Strong password protocols.** Everyone knows the importance of having strong passwords. Unfortunately, many still use the same password across multiple accounts. This means that all it takes is one compromised password for a criminal to take over all accounts associated with that user. They take leaked usernames and passwords and attempt to log into other online accounts, a tactic commonly known as "credential stuffing."

Passwords should be unique for every account and should comprise a long string of upper- and lower-case letters, numbers and special characters. Additionally, organizations should consider implementing shorter periods for password resets, for example, going from a 90-day to a 30-day reset cycle.

Help your employees stay "cyber-vigilant"

While implementing strong technical safeguards is essential to having a strong cybersecurity posture, the most important risk to organizations remains its people, when they fall victim to phishing campaigns. Phishing emails are sent by hackers to steal information that can be used in further targeted phishing attacks, credit card and wire fraud, and in installing malicious software on the victim's device or on the networks they access.

During this pandemic, there has been a marked increase in the number of phishing campaigns that target remote workers in a bid to steal their personal information or gain access to company accounts.

The key to avoiding this vulnerability lies in employee training and reminders to constantly be vigilant. For example:

- If an email appears unusual or requests immediate action (even when it comes from a "known" source), your employees should have the reflex to pause and proceed carefully.
- If the email contains a URL, they should know to hover their cursor over the link to validate the source, and to not open any unexpected attachments.
- If they suspect that they may have inadvertently fallen for a hacker's ruse, their reflex should be to immediately report the incident to IT, rather than trying to resolve the issue themselves or ignoring it.

The pandemic has shown that remote work is an effective way for organizations to continue operating, so it is likely that some form of remote work will be part of how organizations operate in the future. That said, being aware of the risks and taking some basic steps can significantly reduce your chances of becoming victim of a cyberattack while working remotely. ♦



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We hope that you find *info@pyc* a useful source of information. If you should ever have any specific questions or concerns regarding your own business or personal finances, please call us. We will gladly help in any way that we can.

If you would like to contact us by e-mail, we can be reached at *info@pyc.net*. Some of the articles appearing in this issue of *info@pyc.net* were prepared by the Chartered Professional Accountants of Canada for the clients of its members.