



## This Month:

- Income Tax Payment Deadline
- CRA increases flat rate amount for meals claims
- “Refreezing” an Estate Freeze

### Income Tax Payment Deadline

The CRA has further extended the payment due date for 2019 individual tax returns and 2019 or 2020 corporation, or trust returns, as well as for instalment payments, from September 1, 2020, to September 30, 2020. This does not change the filing deadlines that were originally announced. If a return was not filed on time and the balance owing remains unpaid as of September 30<sup>th</sup>, late filing penalties may apply.

The CRA will also waive arrears interest on existing tax debts related to individual, corporation, and trust income tax returns from April 1, 2020, to September 30, 2020, and from April 1, 2020, to June 30, 2020, for Goods and Services Tax/Harmonized Sales Tax (GST/HST) returns. While this measure for existing tax debts does not cancel penalties and interest already assessed on a taxpayer’s account prior to this period, it does ensure that a taxpayer’s existing tax debt will not grow through interest charges during this difficult time.

CRA is resuming its collections activity this fall. Collections officers from the debt management call centre will begin contacting individuals and businesses with a balance owing to discuss and re-evaluate their financial situation.

### CRA increases flat rate amount for meals claims

CRA has increased the amount that employers can use to determine whether an overtime meal or allowance, or the meal portion of a travel allowance is taxable, from \$17 to \$23. The CRA has also increased the rate at which transport employees and other individuals can claim meal expenses, using the simplified method (a flat rate per person), from \$17 to \$23 per meal. These increases are effective immediately and retroactive to January 1, 2020.

(Continued...)

When claiming meal expenses on a personal income tax return, the CRA allows transport employees, and individuals claiming moving expenses, medical expenses, or the northern resident's deduction, to calculate their meal expenses claim using the simplified method. This method is the easiest way to calculate meal expenses since it is based on a flat rate and individuals do not have to keep receipts for their meals. In addition, the CRA's policies on taxable benefits and allowances allows an employer to exclude the value of an overtime meal or allowance, or certain travel allowances (including a meal portion), from an employee's income as long as the value is reasonable (amongst other conditions).





**PAYROLL AND EMPLOYEE PROGRAMS**

**PAYTRAK**

- ✓ Payroll packages tailored to your needs – from Web-based to Full Service
- ✓ Dedicated Customer Service Team
- ✓ All Government Remittances and Reporting
- ✓ Easy-to-Read, Concise Employer Reports
- ✓ All Year-End Services

*Let us be your behind-the-scenes Payroll Department!*



**YOUR TRUSTED PARTNER IN PAYROLL**



**HEALTH AND DENTAL BENEFITS**

- ✓ Choice of 4 Levels of Benefit Protection
- ✓ Flexible Shared Contribution Percentages for the Business Owner
- ✓ Guaranteed Acceptance



**PENSION PLAN SERVICES**

- ✓ Lower Cost
- ✓ Tax Relief
- ✓ Professional Management
- ✓ Creditor Protection
- ✓ Control & Information

*Exclusive CFA Pricing*

**PAYROLL SERVICES • HEALTH AND DENTAL BENEFITS • PENSION PLAN SERVICES •**

**1.877.316.2999 • PAYTRAK.CA**

## “Refreezing” an Estate Freeze

An estate freeze is a technique used to minimize future income taxes of a business owner by having them exchange their common shares for fixed value preferred shares. The exchange of common to preferred shares is done without triggering any immediate tax. New common shares are issued to a family trust or directly to adult family members at a nominal value. Therefore, the future growth in value is effectively passed on to the beneficiaries of the freeze, and the original business owner has fixed the tax liability on the preferred shares since no future growth will accumulate on them.

Some businesses have experienced a decline in value due to the economic effects of Covid19. It may be beneficial to “refreeze” the shares to lock in the new lower value of the business into new fixed value preferred shares. Redoing the freeze at a lower value can reduce the tax liability upon a future sale or at death when there will be a deemed disposition of all the deceased's assets. Professional advice is required before implementing a “refreeze” because there are various tax measures such as attribution rules, tax benefit, and other anti-avoidance rules that could apply. For example, these measures could apply if the decline in value is because of excess dividends or remuneration that have been paid out of the corporation. Finally, an accredited business valuator will need to adequately document and support the new lower valuation.

## PADGETT BUSINESS SERVICES

WHERE YOUR SUCCESS TAKES ROOT



Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.