



Canadian Financial Planner

Winter 2020

Enhanced Employment Insurance and Recovery Benefits

As a direct result of the COVID-19 pandemic, Canadian unemployment skyrocketed during the spring of 2020. Many Canadian businesses have been severely impacted as they struggle to comply with social distancing measures, or because their customers keep away in an effort to stay safe in the midst of the worst global health crisis in living memory. Businesses that serve their customers face-to-face have been the most adversely affected, especially those operating in the retail, hospitality, travel and tourism sectors.

At the beginning of the year, the national unemployment rate was 5.5%; close to a 10 year low. Following which, the pandemic triggered a spate of job losses causing unemployment to rise rapidly, peaking at 13.7% in May. Subsequently, unemployment eased somewhat, falling to 9.0% in September. However, it is forecasted to rise again before the end of the year as a result of more stringent lockdowns in the wake of a second wave of infections.

In an effort to provide income support to those struggling with the financial impact of COVID-19, the Canadian government introduced the Canada Emergency Response Benefit (CERB) in March. CERB provided claimants with \$2,000 for each of the 4-week periods for which they were eligible. The program ended in late-September 2020.

Owing to the fact that the pandemic continues to distress labour markets, the government has introduced measures to enhance access to Employment Insurance (EI) for those still requiring income support following the withdrawal of CERB. For those not eligible for EI, temporary recovery benefits have also been introduced; the Canada Recovery Benefit (CRB), the Canada Recovery Caregiving Benefit (CRCB) and the Canada Recovery Sickness Benefit (CRSB).

The government anticipates that of the 9 million Canadians that received CERB, around 4 million will still require income support now that it has ended. The government expects that around 2.8 million of these individuals will be transitioned to EI regular benefits, with much of the remainder gaining access to EI special benefits (sickness, maternity/ parental, compassionate care or family caregiver) or the newly introduced recovery benefits.

In this edition of the Canadian Financial Planner, we will discuss what recipients need to do, if anything, to transition from CERB to EI regular benefits. We will also examine the improved benefits and broadened access under the temporarily enhanced EI program. Finally, we will discuss the recovery benefits potentially available to claimants ineligible to receive support under EI programs.

Specifically, we will discuss:

- PART 1: Transitioning from CERB
- PART 2: Enhanced Employment Insurance
- PART 3: New Recovery Benefits

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PART 1: Transitioning from CERB

Now that CERB has ended, the way in which claimants are transitioned to EI depends upon whether they received CERB through Service Canada or CRA.

Claimants that received CERB benefits through Service Canada

In most cases, those that received CERB through Service Canada are being automatically transitioned to EI benefits if they are eligible for EI and they continue to need income support. Typically, recipients need not submit an application for EI benefits as their file will be automatically assessed for EI eligibility.

However, individuals that are self-employed, or who have a SIN that starts with a 9 (i.e. those who are not Canadian citizens or permanent residents), or who declared in their CERB report that they have returned to full time work, must still complete an application.

Claimants that received CERB benefits through CRA

Claimants must first apply for benefits under CERB for any of the periods for which they meet the eligibility criteria before applying for EI benefits. There are 7 4-week periods spanning the 28 weeks from mid-March through to late September.

Tip: Those that were eligible for CERB, but did not apply, should be sure to submit their retroactive application by December 2, 2020 to avoid losing access to these benefits.

Once all of the CERB payments to which an individual is entitled have been received, claimants must then apply for EI; there is no automatic transition in this case.

PART 2: Enhanced Employment Insurance

A number of temporary EI measures commenced on September 27, 2020 and will be in effect for one year. They are intended to broaden access to EI and maintain benefits entitlements in-keeping with CERB and are as follows:

- The minimum benefit rate will be increased to \$500 per week (\$300 per week for extended parental benefits);
- Claimants will receive a one-time hours credit to top up their insurable hours (in effect this will reduce the insurable hours requirement to 120 hours worked in the year prior to their application);
- Claimants will be entitled to receive benefits for a minimum of 26 weeks, while they remain eligible for EI;

- EI premiums will be frozen at 2020 levels for 2 years; and
- A minimum unemployment rate of 13.1% will be applied to all regions across Canada (this affects eligibility in a number of ways as we shall discuss).

Hours credit

Access to EI benefits is normally based on the number of insurable hours an individual has worked in the year prior to their application, or since their last claim. Hours worked in insurable employment during the qualifying period, constitute insurable hours. Earnings from insurable employment must be paid in cash, paid by the person's employer and received by the person in respect of that employment. Further, EI premiums must be paid

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through salary withholdings, in addition to the employer portion of EI premiums. As such, access to EI regular benefits is limited to employees and excludes self-employed individuals (self-employed individuals may have access to EI special benefits, which we discuss below).

In light of the fact that the pandemic has prevented many Canadians from accumulating sufficient insurable hours to qualify for EI, the government is providing a one-time insurable hours credit of:

- 300 hours for claims for regular benefits; and
- 480 hours for claims for special benefits.

In effect this means that claimants can qualify with a minimum of 120 insurable hours as a result of the changes to the minimum regional unemployment rate (see below).

Minimum regional unemployment rate

Prior to the introduction of these new temporary measures, access to EI was in part determined by the regional rate of unemployment where the claimant lived. In areas of high unemployment, the number of insurable hours required to qualify for EI regular benefits was lower than in areas of low unemployment. Likewise, in areas of high unemployment claimants would be entitled to receive benefits for a longer period of time than in areas of low unemployment.

To broaden access to benefits, a minimum unemployment rate of 13.1% is now being applied to all regions. This means that the insurable hours required is 420 and the minimum weeks of coverage, for those that remain eligible, is 26 weeks. If we then apply the 300 hour credit for EI regular benefits, the actual hurdle is 120 insurable hours in order to qualify. The more insurable hours one has, the more weeks of benefits one can receive (up to 45 weeks).

Calculation of benefit payments

Claimants receive EI benefits of 55% of their average insurable weekly earnings; subject to

maximum benefit payments of \$573 per week. Under the temporarily enhanced EI program, there is also a minimum weekly amount of \$500.

The average weekly insurable earnings is calculated based upon the claimant's 14 "best weeks" of insurable earnings during the qualification period. Ordinarily, the number of best weeks used to calculate the average depends upon the regional rate of unemployment. However, since the minimum regional rate of unemployment has been temporarily harmonized, the number of best weeks used is currently standard for all applicants.

EI special benefits

There are six types of EI special benefits, available to both eligible employees and self-employed individuals who make EI contributions. The special benefits include:

- Maternity – for individuals who are away from work because they are pregnant or have recently given birth (maximum 15 weeks)
- Parental – for individuals who are away from work to care for their newborn or newly adopted child (maximum 40 weeks [regular] or 69 weeks [extended])
- Sickness – for those that cannot work for medical reasons (maximum 15 weeks)
- Family caregiver benefit for children – for individuals who provide care or support to a critically ill or injured family member that is a child (maximum 35 weeks)
- Family caregiver benefit for adults – for individuals who provide care or support to a critically ill or injured family member that is an adult (maximum 15 weeks)
- Compassionate care – for those that are providing support to a family member of any age that requires end-of-life care (maximum 26 weeks)

Claimants may also access the last three benefits for individuals that are in “family like” relationships; even if they are not related by marriage, common-law partnership, or any legal parent-child relationship.

The weekly benefit amount that recipients can receive is the same as under EI regular benefits (i.e. between \$500 and \$573 per week under the enhanced EI program). The one exception is extended parental benefits, which ranges from \$300 to \$344 per week.

For all of the special benefits, the insurable hours requirement is normally 600 hours. However, once the one-time hours credit of 480 hours is applied, the requirement is reduced to 120 hours as with EI regular benefits.

Self-employed claimants

Unlike EI regular benefits, EI special benefits are available to self-employed individuals (i.e. those that own their own businesses or control more than 40% of the voting shares). In order to qualify to receive benefits, claimants must:

- Be registered for the program for at least 12 months;
- Pay their premiums – self-employed individuals pay their EI premiums when they file their tax

return each year (premiums are based on reported self-employment income);

- Have decreased the amount of time spent working in the business by more than 40%; and
- Have earned the minimum amount of self-employment earnings in the calendar year before applying for benefits (to be eligible in 2020, claimants must have earned at least \$7,279 in 2019).

What options are there for those that do not qualify?

While a large number of Canadians will be transitioned from CERB to EI benefits of one kind or another, a significant proportion of individuals that still require some measure of income support will not meet the eligibility criteria. In light of the historically high unemployment in many parts of the country and the ongoing economic impact of the COVID-19 pandemic, the government has introduced three new temporary recovery benefits to accommodate the needs of those ineligible for EI enrollment; we discuss these programs in PART 3.

PART 3: New Recovery Benefits

For those ineligible for EI, three new recovery benefits have been introduced to assist. These are:

- the Canada Recovery Benefit (CRB);
- the Canada Recovery Caregiving Benefit (CRCB); and
- the Canada Recovery Sickness Benefit (CRSB).

In the words of the government, these benefits are intended to “provide income support to Canadian workers while promoting economic recovery with measures that encourage people to return to work”.

Tip: All three recovery benefits are taxable and subject to a 10% withholding tax at source. Upon filing their personal income tax returns, some claimants will need to pay more (or less) than the amount withheld, depending on how much income is reported.

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Canada Recovery Benefit (CRB)

Effective September 27, 2020 to September 25, 2021, CRB will provide a benefit payment of \$500 per week (available in 2-week periods) for up to 26 weeks.

To qualify for CRB, claimants must meet the following eligibility criteria:

- They are at least 15 years old on the first day of the period for which they are applying;
- They have a valid Social Insurance Number;
- They have stopped working due to the COVID-19 pandemic and are not eligible for EI, or are working and have had a reduction of at least 50% in their employment/ self-employment income for reasons related to COVID-19;
- They are available and looking for work, and must accept work where it is reasonable to do so;
- They had employment and/or self-employment income of at least \$5,000 in 2019 or in 2020, or in the 12-month period prior to their first application for CRB;
- They have not quit their job voluntarily, unless it was reasonable to do so; and
- They have not rejected a reasonable job offer, rejected a request to resume work, or failed to resume work if self-employed where it is reasonable to do so.

While receiving the benefit, claimants may return to work. However, if their annual net income (excluding CRB payments) exceeds \$38,000, they will need to repay \$0.50 for every dollar earned above the threshold. This means that recipients who claim the maximum amount of \$13,000 (\$500 for 26 weeks) will need to repay the entire amount if their annual net income exceeds \$64,000. Excess benefit repayments will be clawed back when the subsequent annual tax return is filed.

CRA is administering the program and started accepting applications on October 12. Eligible individuals can apply online using CRA's My Account portal or by phone. Unlike CERB, individuals can only apply for benefits covering the 2-week period of their application, after the period for which they are applying has ended.

Tip: Individuals looking to make a claim should ensure that they have submitted their application within 60 days of the end of the period.

Penalties for refusing work

Claimants that refuse reasonable work while receiving benefits under the program will automatically lose 5 periods (10 weeks) of the CRB eligibility periods. If they refuse work again, they will receive the penalty again. Also recall that individuals that voluntarily quit their job while the program is in force are not eligible to receive the CRB.

Canada Recovery Caregiving Benefit (CRCB)

As the number of infections from the COVID-19 pandemic continues to escalate, the possibility remains that schools and daycares may be required to close. As such, the government has introduced the CRCB for Canadians that cannot work because they need to provide care to children or other family members that require supervision.

The program provides a benefit payment of \$500 per week for up to 26 weeks, available in one-week periods. Only one claimant per household is eligible for the benefit. However, the benefit can be shared, provided that only one application per household is received for a given week of benefits under the program.

To qualify for CRCB, claimants must meet the following eligibility criteria:

- They are at least 15 years old on the first day of the period for which they are applying;
- They have a valid Social Insurance Number;

- They are employed or self-employed at the time of the application;
- They earned at least \$5,000 in 2019 or 2020, or in the 12 months preceding the day of their application;
- They are not in receipt of paid leave during the 1-week period claimed; and
- They are unable to work for at least 50% of the time they would otherwise have worked because they had to care for a child under the age of 12 or another family member who requires supervised care:
 - Because their school or daycare facility is closed or unavailable;
 - Because the care services or the person who usually cares for the child or family member is not available due to COVID-19;
 - Because they are sick and/ or have been directed to quarantine because of COVID-19; or
 - Because they are at a high risk of serious health complications if they contracted COVID-19, as determined by a medical professional.

As with the CRB, individuals applying for the CRCB will need to submit their application after the period for which they are claiming benefits has ended.

Canada Recovery Sickness Benefit (CRSB)

The CRSB will provide \$500 per week for up to two weeks (available in two one-week periods). This program is for individuals that are unable to work because they have contracted COVID-19, self-isolated for reasons related to COVID-19, or have underlying medical concerns that make them susceptible to COVID-19.

The program is intended to encourage Canadians to stay home if they are sick, or may be sick, to promote the health and safety of Canadians and workplaces during the ongoing pandemic.

To qualify for CRSB, claimants must meet the following eligibility criteria:

- They are at least 15 years old on the first day of the period for which they are applying;
- They have a valid Social Insurance Number;
- They are employed or self-employed at the time of the application;
- They earned at least \$5,000 in 2019 or 2020, or in the 12 months preceding the day of their application;
- They are not in receipt of paid leave during the period claimed; and
- They are unable to work for at least 50% of the time they would otherwise have worked because:
 - They are sick with or may have contracted COVID-19;
 - They have isolated themselves on the advice of their employer, medical practitioner or government authority for reasons related to COVID-19; or
 - They have underlying health concerns that, in the opinion of a medical practitioner or government authority, would make them more susceptible to COVID-19.

Again, benefits can only be applied for after the one-week period for which they are applying has ended. Claimants cannot receive paid sick leave and receive the CRSB for the same period.

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CONCLUSION

The pandemic continues to cause financial hardship for millions of Canadians. Now that CERB has ended, the government has introduced various measures to continue to provide income support to those that still need it. EI has been temporarily enhanced to expand access and boost benefit payments to lower income individuals, while alternative programs are available to those that still do not qualify for EI, through the new Canada recovery benefits.

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