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CESTNICK

TAX MATTERS

Six ways for you and your employer to maximize financial benefits during COVID-19

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Now that my friend Jack is working from home, he sleeps in longer and naps during the day. “Tim, a good sleep not only allows you to live longer, but it really shortens the workday as well,” he said to me. He says he’s still getting his work done and doesn’t mind the change in his daily routine. “The only thing I don’t like,” he added, “is that I’ve got extra costs to cover now that I’m working from home [he had to buy a faster router], and I’m worried that our company may be laying people off soon.”

If you’re an employee, here’s a list of things to think about and some conversations to have with your employer to make things easier for you financially during COVID-19.

Ask for a telework equipment reimbursement. Do you need a new router, printer, cellphone or some other equipment to enable you to work from home more effectively during COVID-19? Speak to your employer about it. The Canada Revenue Agency (CRA) announced on April 24 that it will consider a reimbursement of up to $500 paid by your employer to cover the costs of teleworking equipment to be a tax-free benefit for you. That’s right, you can own this new equipment – but your employer can pay for it. Count it like additional tax-free compensation.

Ask for a gift from your employer. The taxman will allow your employer to provide a gift to you of up to $500 a year, with no tax to pay on the gift. The catch is that the gift can’t be cash (or gift cards – sorry) but could be things such as supplies to renovate your home office or anything else. In addition, your employer can also make a non-cash gift of up to $500 once every five years as a long-service award. Both of these gifts can be paid to you on top of the reimbursement for telework equipment I spoke about. All of this could be very helpful during the pandemic.

Working-sharing is better than a lay off. Have you been laid off? It could make more sense for your employer to have employees share work, even if everyone cuts back on their hours, than to lay off certain employees. This could allow your employer to claim more in total wage subsidies. You see, an "eligible employee" can give rise to a wage subsidy, but doesn't include those who have been without pay for 14 or more consecutive days in the claim period. Speak to your employer about working at least a little during each two-week period to maximize the wage subsidy for your employer and provide you with some income.

Collect the CERB while your employer also gets a wage subsidy. If you work a little for your employer, does this mean you'll give up the Canada Emergency Response Benefit? Not necessarily. You'll still qualify for the CERB provided that, in the four-week period for which you're applying for it, you don't earn more than $1,000 (before taxes) in any 14 consecutive days during that time. For example, take the May 9 to June 6 eligibility period. You could earn $1,000 over the period May 9 to May 23, plus another $1,000 over the period May 24 to June 6 and still qualify for the $2,000 CERB for that four-week period.

Collect retroactive pay from your employer. It's possible for your employer to hire back eligible employees and pay them retroactively for a particular period, and become eligible for a wage subsidy for that retroactive pay. If you do collect pay retroactively, and you've already collected the CERB benefit, you'll need to figure out whether you have to repay the CERB. If you keep your retroactive pay under the $1,000 limit for any consecutive 14-day window, then you won't have to repay it. If you have to repay the CERB, you have three options: 1) return the cheque by mail if you haven't cashed it yet; 2) mail a cheque made out to the "Receiver General for Canada" and include your social insurance number and the words "CERB Repayment" on the cheque; or 3) repay electronically using "My Account" online starting May 11. Check the government of Canada website (canada.ca) for more details by searching the term "CERB."

Save up to pay your taxes next year. Don't forget that the CERB is taxable, so you could end up paying tax next year when you file your tax return for 2020. The average Canadian will pay taxes of about 20 per cent on the CERB, but it could be much higher if you're a high-income earner. And if you're an employer who receives wage subsidies, those amounts are also taxable as business income in the fiscal year in which you receive the subsidies.

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