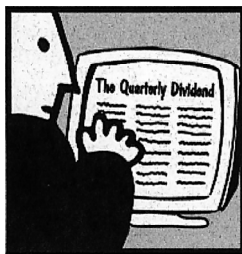


# THE Quarterly Dividend

Vol. 29 No. 3

Your guide to income tax & financial planning

## FAST TRACK



### Taxation of COVID-19 "Gov't Assistance"

During the Coronavirus pandemic Federal and Provincial governments have stepped in to provide financial relief to millions of Canadians as they cope with employment layoffs, the suspension of business and professional operations and virtually every facet of economic life.

#### In this Issue:

The Chutzpah Factor .....	Pg.1
All Things Must Pass .....	Pg. 2
The GIG Economy I .....	Pg. 2 & 3
The GIG Economy II .....	Pg. 3
And You Can Take That to the Bank!!.....	Pg. 4

### The Chutzpah Factor

Here is something they don't teach you in school!!

Have you ever applied for a job and been asked on the application form or by the interviewer whether you have the "experience" they wanted their new employee to have had before entering their company?

And answered "yes" when the truth may have been more of a "maybe", all the while thinking to yourself, "I can exaggerate slightly about my previous work history because I am a quick learner and will easily "pick up" what has to be done and nobody will ever know?"

As a small business owner, have you ever "quoted on a job" and told the prospective customer that you knew exactly how to approach the problem he was having and that you could "fix it" at a reasonable price?

When in truth, you have no idea what he is talking about but you need the job and you are sure you can figure it out if given the chance?

If you have experienced situations like these and reacted as above, then you have exhibited the "Chutzpah Factor" without even knowing it.

Chutzpah can be defined as "nerve" or "gall". Usually exhibited in a positive way, in the eyes of the possessor, it is the

willingness to "take a chance on something" even when logic would have dictated that you "never had a chance".

It is a feeling of self-confidence exhibited by someone wanting something different or better and who is willing to "take the bull by the horns" and attempt to pursue the matter on his own terms. It is not the attitude of someone who believes that things only happen if they were "meant to be". It is the feeling that each of us should listen to our own "inner voices" and strive to become the person we want to be.

But be careful. Once you have your "foot in the door", you have to live up to the expectations you have created. Failure is not an option. If they see that you have oversold your abilities, they may interpret your chutzpah as false bravado and your credibility will be shattered.

If that happens, it may be wise to "cut your losses" and retreat. Consider what just occurred as a learning experience. Do not let one setback destroy the way you see yourself and the world around you.

Be on the lookout for the next opportunity that might come your way and be willing to give it a go and see what happens.



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The "elephant in the room" is where has all this money "come from" and how will the governments ever get it back without adversely affecting future programs that will surely come up and require attention.

It is important to note that all government subsidies will be taxable in the hands of those who received them, either personally or through a corporation.

If you received a Canadian Emergency Response Benefit payment, you will be required to include the amounts received on your 2020 personal income tax return.

While it is true that they will be included in a year where your "regular" sources of income will likely be reduced, the amounts received will be added to income earned prior to and after the first wave of the pandemic has subsided.

The same is true for those businesses that have received wage subsidies to keep employees at their jobs and rent grants to

It is not easy being an optimist in the summer of 2020. The Coronavirus that seems to be so difficult to contain has resulted in a huge cloud of uncertainty throughout our country and the entire world.

But as bleak as these days appear to be, it is worth noting that in the "long-view" of history this time of turbulence will pass and the world as we previously knew it will be "back".

Think of the world in the times of your grandparents, from their generation to ours, people in general, have become healthier, more satisfied and happier.

There are many reasons for this, but however they are identified, the one certainty in life is that "tomorrow is another day" and the way to "get through" these trying times is to identify and prepare for

the days ahead in an unemotional and proportional way.

Take advantage of the "time out" that nature has provided, and think how you might re-organize your life when the virus has been defeated and the world gets back to some sense of normalcy.

Take this opportunity to push the "reset" button and instead of going "back" to the "same old, same old", imagine how you might want to change things up a little going forward. And figure out what needs to be done to make it a reality.

Nothing too dramatic or earth shattering. Just a tweak here and there even if only to prove to yourself that you have come out of these past few months with something positive to show for it.



## The GIG Economy (Part One)

In 2019 a Statistics Canada study identified a new category of worker within the country's labour force. Estimated at between eight and ten percent of all workers, they are defined as "unincorporated and self-employed individuals who enter into contracts with firms or individuals to complete a specific task or work for a specific period of time".

Largely identified with "for hire-vehicle drivers" receiving calls for their services through an app on their smartphones (think UBER drivers) or "independent contractors" who provide all manner of services from home renovations and grass cutting to food delivery, moving, etc., GIG workers get their name from each piece of work being an individual gig, a term borrowed from the music industry where performers work at bars and nightclubs for short periods of time, often only one night.

The main criticism of the gig economy is that it undermines the traditional economy of full and part-time salaried workers who rarely change positions, choosing to focus on the pursuit of a lifetime career. But with their numbers increasing steadily year by year, it is a part of the economy that deserves more attention.

These are the characteristics of the gig economy: (a) they are concentrated in large urban areas, often in "immigrant communities"; (b) most enter the gig economy for under one year, though one-quarter of the workers participate for three or four years; (c) more women than men take on gig work; (d) many take on gigs after losing regular "traditional" employment" and are "between jobs"; (e) figures show that workers depend on these earnings for seventy-five percent or more of their earnings; (f) the average age of a gig



keep the "lights on" during a period of decreased revenues and on-going "fixed costs".

These supports will be taxed by effectively lowering the "wage expense" or "rent expense" of the businesses that received them. They will flow directly to the company's "bottom line" and taxable income.

Companies that took advantage of the \$40000 loan of which only \$30000 is repayable by December 31, 2022 will also be surprised to learn about the \$10000 differential. If the company pays back the loan prior to the end of its term, the \$10000 will be included in taxable income for that year.

If the company chooses to "keep" the loan beyond 2022, it is committed to paying back the full \$40000. At that time the loan starts to become "interest bearing" and the \$10000 will not be added to income.

Beyond the taxation of those who directly received these supports, it is likely

worker is between thirty-five and fifty-four, often with "less formal education"; and (g) gig work allows participants to earn "extra money" that supplements what they earn in their "regular" jobs to help make "ends meet".

The main attraction of gig work is its flexibility. The pay and working conditions may be less than ideal, but that is a trade-off they are willing to accept.

## The GIG Economy (Part Two)

An accompanying article in this issue looks at the GIG economy and the growing numbers of workers who are participating in it.

It briefly touched upon the question as to whether these individuals were to be considered "employees" or "self-employed entrepreneurs".

If you asked many of these workers they would most likely opt for the latter description of their business activities. The reason for this is because the manner in which they conduct the majority of their work is for cash.

You must know from personal experience that when you want "something" to be done around your house, say certain renovations for example, you want to get the work done according to your specifications at a price that is "reasonable".

After consulting with friends and family, and searching the internet for someone to hire, you get estimates from two or three contractors to see what kind of prices they are intending to charge.

Invariably the question comes up as to whether you want/need a receipt for the job that you have in mind, or whether to "save on the HST, etc." you would be willing to pay cash for at least part of the job that you want done.

The contractor who wants to "play by the book" will more than likely be more "expensive" than one who accepts cash payments.

But maybe not for long. In recent months union organizers have eyed the potential of signing up workers and representing them to "improve their lot". To the extent that the unions can argue that these workers are really "employees" of the places where they earn their livelihood and not "entrepreneurs" working on their own, they may bring the current gig worker into a card carrying union member back into the traditional economy.



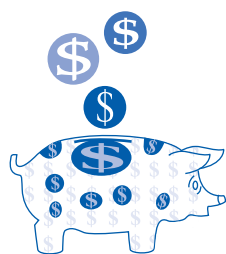
At the end, the renovations in either case will turn out to be much the same no matter who you choose, it is just a question as to whether you want to save some money in the process.

This article is not going to say that selecting the receipt-giving contractor is the "right thing to do" and that by paying a contractor who has registered with the government for HST is the way to go.

This article is not going to say that selecting the "cash payment" contractor makes a lot of sense, because in the end you "get" the job completed as you wanted it, and "saved" some money to boot. All this article is going to point out is that if at some point you think you might have to show how much you paid for the job that you had done, either for insurance purposes or for any other unforeseen reason, then it is "better" to pay a little more now "just in case" having evidence of "how much you paid" becomes necessary.

The question then remains is "how much is the difference in cost" between the two alternatives. If the "cash price" is significantly lower than the "HST included price" and not only by the thirteen percent tax, then you have a decision to make. Is it worth the "risk" that you might need to show how much you paid sometime down the road worth the amount in cash savings you will be realizing today?





## And You Can Take That to the Bank!!

Here is where Canadians do their banking:

that the government will "need" to replenish its treasury from the general public. The easiest way to accomplish this is by increasing the rate of the Goods and Services Tax. It is currently five percent but could rise to its original taxation point of seven percent thereby collecting tax revenues from all Canadians. We all know that there is no such thing as a "free lunch" and while the governments have acted commendably these past few months, eventually the "chickens will come home to roost" and we will all be expected to do our part in the rebuilding of our country's economy and social programs.

### Thanks for Your Referrals

We very much appreciate your referrals. If you know of someone who can benefit from the services we provide or who would like to receive our publication, please let us know. We will send them a copy with your compliments.

Choice of Bank	Description	Pros and Cons	Examples
<b>Schedule I</b>	(a) Canadian financial institution that is regulated under the Federal Bank Act  (b) cannot be owned by non-residents	(a) large number of branches  (b) broad product and service line-up	"Big Six Banks" with whom everyone is familiar
<b>Schedule II</b>	(a) can be owned by a Canadian Schedule I bank who are residents of Canada or a subsidiary of a foreign bank and owned by non-residents  (b) regulated under the Federal Bank Act  (c) most common type of bank in Canada	(a) personal relationship and service  (b) good understanding of the local economic climate	Citibank Canada HSBC Canada
<b>Schedule III</b>	Foreign banks that are permitted to operate in Canada	same as Schedule II	Bank of America. Citibank N.A.
<b>Trust Companies</b>	Fiduciary agent for an individual or business holding assets for their eventual transfer to a beneficiary	(a) holds property in trust for executors, pension plans and mutual funds  (b) does not own the assets for which they are responsible	Canada Trust Royal Trust
<b>Credit Unions</b>	(a) not-for-profit financial institutions owned by their members  (b) membership is restricted to people within a specified group, often employees of a particular company or former residents of a given country	(a) offer members competitive rates on deposits and loans, particularly personal and auto loans	Meridian Credit Union Alterna Svgs and CU
<b>Online banks</b>	(a) do not have physical branches  (b) frequently offer limited products, usually savings accounts and certificates of deposit	(a) only offer a few types of loans or none at all  (b) if you have a problem you will have to take care of it by email or phone	Tangerine Bank Simplii

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