

Clause 1

COVID-19 – child care expenses

ITA

63(3.1)

Section 63 of the *Income Tax Act* (the “Act”) provides a deduction for certain child care expenses that are incurred for the purpose of enabling a taxpayer to perform certain activities, including earning employment or business income, pursuing education and performing research (the “purpose test”). One of the limiting factors for this deduction is based in part on the amount of a taxpayer’s “earned income” for the year, as defined in subsection 63(3) (the “income limitation”).

Subsection 63(3.1) is introduced to provide a special reading of certain rules in the definitions “child care expense” and “earned income” in subsection 63(3), for the 2020 and 2021 taxation years.

Paragraph 63(3.1)(a) relates to the purpose test. It provides that, for the 2020 and 2021 taxation years, the definition “child care expense” in subsection 63(3) is to be read without reference to paragraph (a) of that definition if at any time in the taxation year the taxpayer was entitled to an amount referred to in subparagraph 56(1)(a)(iv) or (vii) or paragraph 56(1)(r), in respect of the year. These provisions include in a taxpayer’s income certain financial assistance payments. As such, taxpayers entitled to receive such payments for the relevant year would not have to meet the purpose test for that year.

Paragraph 63(3.1)(b) relates to the income limitation. It provides that, for the 2020 and 2021 taxation years, the definition “earned income” in subsection 63(3) is to also take into account amounts included in a taxpayer’s income for the relevant year under subparagraph 56(1)(a)(iv) or (vii), which relate to employment insurance and Quebec parental insurance, respectively. As such, taxpayers whose income for the relevant year includes such benefits would have a higher income limitation threshold for that year.

This amendment is deemed to have come into force on January 1, 2020.

Clause 2

COVID-19 – disability supports deduction

ITA

64.01

Section 64 of the Act provides a deduction for certain disability supports expenses that are incurred for the purpose of enabling a taxpayer to perform certain activities, including earning employment or business income, pursuing education, and performing research (the “purpose test”). One of the limiting factors for the disability supports deduction is based in part on the amount of a taxpayer’s income for the year from certain sources (the “income limitation”).

Section 64.01 is introduced to provide a special reading of certain rules relating section 64’s purpose test and income limitation, for the 2020 and 2021 taxation years.

Paragraph 64.01(a) relates to the purpose test. It provides that, for the 2020 and 2021 taxation years, the description of A in paragraph 64(a) is to be read without reference to its subparagraph (i) if at any time in the taxation year the taxpayer was entitled to an amount referred to in subparagraph 56(1)(a)(iv) or (vii) or paragraph 56(1)(r), in respect of the year. These provisions include in a taxpayer's income certain financial assistance payments. As such, taxpayers entitled to receive such payments for the relevant year would not have to meet the purpose test for that year.

Paragraph 64.01(b) relates to the income limitation. Some of the sources of income that are taken into account in determining the income limitation are described in clause 64(b)(i)(A). Paragraph 64.01(b) provides that, for the 2020 and 2021 taxation years, clause 64(b)(i)(A) is to also take into account amounts included in a taxpayer's income for the relevant year under subparagraph 56(1)(a)(iv) or (vii), which relate to employment insurance and Quebec parental insurance, respectively. As such, taxpayers whose income for the relevant year includes such benefits would have a higher income limitation threshold for that year.

This amendment is deemed to have come into force on January 1, 2020.