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Attention: Graeme Johnston
BC Ferry and Marine Workers Union
1511 Stewart Ave,
Nanaimo, BC V9S 4E3

10 April 2020

by email

Dear Brother Johnston,

Re: *COVID-19 Benefit implications*

We advised members to apply for Income Assistance or the Canadian Emergency Response Benefit because of an anticipated decline in available work; the employer's public announcement that service would be drastically reduced; and layoff notice to members.

The employer said it plans to make use of the Canadian Emergency Wage Subsidy or similar program. [Details of the subsidy are here](#)¹. Subject to the employer's eligibility and details of the plan which are still unknown, this could mean partial wage replacement for some members.

Issue

You have asked me what implications a 75% wage subsidy would have for members who followed our advice to apply for federal benefits.

Short Answer

Exigent circumstances have reduced barriers to accessing federal benefits for millions of Canadians. As a result some recipients may have been overpaid. Ultimate entitlement to federal benefits and any overpayments will be calculated as part of the Income Tax assessment process for 2020. Federal benefits (and wages - including wages funded by a wage supplement) are taxable. Repayment of any overages would be due at tax time next spring. Overpayments might be offset by the decrease in regular earnings members experience for this year because of the pandemic. The actual figure for any member cannot be calculated at this time.

Members who are eligible for EI should report for available shifts, receive any employment-related payments, and attempt to report any periods of work or pay to Service Canada. CERB recipients should do likewise until clear direction is given by the Canada Revenue Agency about how recipients should report earnings while receiving CERB benefits.

¹ <https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>.

Discussion

In the ordinary operation of the program, the Employment Insurance scheme requires recipients to report any employment or other earnings to Service Canada at regular intervals². These earnings reports are used to adjust benefit levels so recipients are not “double dipping”. Employment Insurance benefits are partially “clawed back” if a recipient is deemed to no longer qualify for the payment of benefits as a result of earnings of other payments. As a result, we advised your members to report any earnings or severance to Service Canada if they were recalled for any shifts or if they receive funds or benefits from the employer.

However, the EI program is not operation as it usually does. Hardworking union members in the federal public service (many of whom are working from home) have processed approximately a million new applications for federal support each day this week. As a result, several aspects of the program have changed or been relaxed. As I understand it, and based on information available today³:

- Recent new Employment Insurance applications (a Service Canada Program) are being paid through the Canadian Emergency Response Benefit (a Canada Revenue Agency program).
- As a result new applicants are paid the flat CERB rate of \$500 per week, rather than the maximum EI rate of \$573.
- The government’s priority was to make emergency support available more than it was concerned with preventing benefit fraud;
- Applications for federal benefits may be fast-tracked without rigorous eligibility criteria being applied before payment is authorised (some recipients report direct deposit payment within three days of filing for benefits).
- As a result of this understandable prioritization, some recipients may see a payment for benefits for which they may not qualify; an overpayment, or a double payment.

Government websites about the program and public comment by federal ministers indicate that potential overpayments would be rectified in the 2020 income tax calculation next spring.

² There is also an obligation to show efforts to find work, which is temporarily suspended.

³ Some of these details have not been independently verify, because the program is new and unknown, and because of the practicalities of the epidemic. Some of these assumption are based solely on media reports about how applications are being processed; <https://nationalpost.com/opinion/john-ivison-amid-staggering-unemployment-rate-public-servants-processing-ei-claims-are-the-unsung-heroes>; and reports from your membership about their experience as claimants.

Advice

Members who have received layoff notice or who foresee a reduction in hours (especially casual members) should apply for EI if they qualify. If they do not qualify they should apply for CERB. If members are recalled for any shifts, or paid any amount by the employer (including payment from a member's time bank or vacation), they should report these earnings to Service Canada.

In the likely event that this is impossible (because of the staffing demands on the federal public service) members should keep careful records of any payments they receive from the employer and the federal government, so that they can make accurate Income Tax filings next year. Members should be notified that they may face a repayment obligation in 12 months. The union might consider supporting members to file their unusually complex tax returns for 2020, and may consider seeking to recover this cost from the employer.

Other programs

The BC Emergency Benefit for Workers should not be affected by any wage replacement offered by the federal government or the employer because this \$1000 is not taxable. Member should not confuse any CERB payments with a GST rebate of approximately \$400 which were paid by direct deposit this week to qualifying taxpayers. The tax implications of other supplements, grants, rebates and supports cannot be accurately predicted at this time.

Please let me know if any of this is unclear.

In Solidarity,



Adrienne Smith