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COVID-19: How to adapt your current tax planning?

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The spread of COVID-19 is having a considerable negative effect on the global economy. Several tax planning strategies adapted to the current situation can be considered in order to mitigate the impact.

Tax planning for individuals helps to (i) reduce the taxes payable upon death, (ii) encourage intergenerational business transfers, and (iii) maximize the use of the capital gains deduction, through a trust or otherwise.

For businesses in the current economic crisis, creativity and strategic vision are needed. In this context, certain tax plans will allow businesses to (i) maximize liquidity, (ii) reduce a corporate group's taxes payable in the short term, (iii) optimize the use of losses, and (iv) bring about major tax savings in the long term.

Here are a few examples of tax plans that are particularly appropriate for the current situation:

- Employee stock option plans
  - Reviewing strike prices
- Strategies for using the capital dividend account
- Strategies for using losses within a corporate group, including:
  - Intragroup management fees
  - Loans between corporations
  - Amalgamation or liquidation of business corporations
- Deferral of taxes on imports
- Recovering the GST/QST on bad debts
- Strategies to increase the fiscal cost of certain corporate assets and shares
- Estate freeze in order to lower taxes upon death
- Estate thawing and refreezing
  - Applicable to a previous freeze whose value exceeds the current value
- Planning with regard to the rule of the average cost of identical properties
- Income splitting
- Leaving Canada
- Dismantling or creating legal entities to facilitate tax planning

These plans are particularly effective in a context of economic downturn and a decrease in the fair market value of investments and assets. It is therefore important to act quickly.

Our taxation team is available to answer all of your questions about establishing a tax plan to suit your needs.

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