



190,000 Repayments and 1,300 Tips: The CRA Wants its CERB Back

Description

Earlier this month, reports surfaced that the CRA was moving ahead with enforcement against fraudulent CERB claims. On June 10, *CTV News* reported that 190,000 Canadians had repaid CERB money they had received in error. A day later, *Global News* reported that the CRA had received 1,300 tips of fraudulent CERB claims on its newly opened “snitch line.”

These stories show that the CRA is making good on Justin Trudeau’s promise to “clean up [fraudulent claims] after the fact.” After pushing through CERB payments with record speed, the CRA is now conducting investigations to determine who needs to pay them back. The following are some factors that may influence how the investigations go.

Factors influencing repayment

The biggest factor influencing whether somebody has to repay CERB is, of course, eligibility. To receive CERB, you need to have earned \$5,000 or more in the last 12 months (or in all of 2019), and no more than \$1,000 in the last two weeks. If you don’t meet these eligibility criteria, you may be forced to pay your CERB money back. If you actively lied on your application to get the benefits, you could be looking at a [fine of up to \\$5,000](#).

Implications for investors

The CRA’s push to recover CERB money has several implications for investors.

The first and most obvious of these is its impact on consumer demand. The CERB helped keep consumer demand afloat during the COVID-19 era. If the CRA is now getting stricter about who has to pay the CERB back, and jobs don’t come back at the same time, that could hit retailers in the pocketbook.

Additionally, the CERB repayment push could signal the government tightening up on COVID-19 benefits in general. That would be bad for companies that depend on these benefits to survive — in

turn, that could adversely impact their stock prices.

Major companies like **Air Canada** ([TSX:AC](#)) have benefitted enormously from the Canada Emergency Wage Subsidy (CEWS), which pays up to 75% of a laid-off employee's wages. Thanks to that program, Air Canada was able to [re-hire more than 16,000 laid-off employees](#). That may have gone a long way toward helping the company remain operational when it had little revenue coming in.

If the government will be taking a closer look at CEWS money, as it has been with CERB, that could be bad news for Air Canada. Not only did the company take CEWS money, it also raised \$1.6 billion in a major funding round. It's possible that Air Canada may need to tap the federal government's bridge loan program at some point. But if it did that at a time when the government was clamping down on benefits, there's a decent chance it'd be refused. That would be bad news for the company and its shareholders.

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Date

2025/08/26

Date Created

2020/06/24

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