CAUTION: 3 Ways You Can Be Rejected for the CERB Extension!

Description

The Canadian government took several measures to help Canadian citizens during this unprecedented time. The global health crisis has affected our ability to work due to the ensuing lockdown in place to curb the spread. As millions of people lost their jobs, the government began distributing the Canada Emergency Response Benefit (CERB) to its citizens.

The CERB was designed to distribute money to those who have lost their power to earn due to the pandemic. It entailed receiving $2,000 per month for up to four months when the program was initially announced.

With the deadline closing for people who applied for the CERB first, the government announced that the Canada Revenue Agency (CRA) would continue to pay CERB to eligible citizens for an extra eight weeks.

How the CRA can reject your application

When you apply, you receive $500 per week for four weeks, and you must reapply to continue receiving the benefits. As of now, instead of the 16 weeks announced in the program when it came out, you can receive CERB for up to 24 weeks. However, you can't just apply for the benefit even if you do not qualify.

The CRA is encouraging people to find work if they can. The economies across several provinces have started to open up. If you can't find work during this time, you can apply for CERB. Three things can disqualify you as a viable candidate to receive the funds:

- You must have earned at least $5,000 in the last 12 months.
- You should not have earned more than $1,000 in the last 14 days.
- You have been rehired under the Canada Emergency Wage Subsidy (CEWS) program.

If you don't meet the criteria for CERB, it is better to stick to generating other income streams rather than risking the punishment for CERB fraud.

Creating tax-free income

One more thing you should know is that CERB is *not* a tax-free benefit. The CRA has distributed the money to people without subtracting the taxes from these payments to ensure that eligible citizens have as much money as possible during this time.

However, the CRA will come knocking on your door for taxes on your CERB money as well when the next tax season arrives.

It would be wise not to risk applying for the benefit only to pay it back, pay taxes on it, or possibly risk going to jail if you don't qualify for the CERB money. Instead, you can create a tax-free passive income source using a Tax-Free Savings Account (TFSA) holding a portfolio of dividend-paying stocks like **Canadian Utilities Ltd.** (TSX:CU).

This $8.68 billion market capitalization diversified utility company can be an ideal stock to begin building a tax-free income portfolio in your TFSA. At writing, it is trading for $31.86 per share and pays its shareholders at a juicy 5.47% dividend yield.

The utility sector is a cash-maker for investors during all kinds of market conditions, and it is a highly defensive industry to consider in times of uncertainty.

No matter how bad the situation gets in terms of the health crisis or economic circumstances, utilities like Canadian Utilities can continue generating relatively stable and predictable income.

In addition, 86% of CU's revenue comes from regulated sources, while 14% comes from long-term contracted assets. This means that the entire income of this company is virtually untouchable — and it can continue financing its dividend payments to investors.

Foolish takeaway

If you're not entirely sure that you qualify, I suggest curbing any temptation to reapply for CERB. Even if you apply for the benefits, remember that the CERB money is taxable, and the CRA will gladly come to collect. Use any cash you have set aside to your advantage and avoid collecting CERB if possible.

To create an income source that the CRA can't get its clutches on, consider making an income-generating portfolio in your TFSA. Canadian Utilities could be the perfect asset to begin building such a portfolio.

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