



## Uh-Oh! 3,300 Canadians Are in Hot Water With the CRA!

### Description

Earlier this month, the Canada Revenue Agency (CRA) revealed that it had opened a “snitch line” to catch suspected CERB cheats. The line was opened to help the agency find people who had intentionally applied for the CERB without being eligible. CERB applications were initially pushed through quickly, opening the door to fraud. The snitch line was therefore needed to find people who had abused the system.

Shortly after the line opened, the CRA revealed that it [had received 1,300 tips](#) from it. More recently, a *CBC* article reported that the number had increased, with 3,300 tips in as of June 25. The article also revealed that the agency had received 360,000 repayments as of that date — up from 190,000 earlier in the month.

For most Canadians, these figures are encouraging news. The CERB has been an extraordinarily expensive program so far, paying out \$43 billion from a budget of \$60 billion. Whatever money the CRA can get back is a win for taxpayers.

However, these developments are not so good for Canadians who are actually getting the CERB. Despite all the talk about “CERB fraud,” most Canadians applied for the benefit thinking they were eligible for it. Some were even given the CERB after applying for EI. People in these categories may be worried that they’re in hot water with the CRA — as 3,300 Canadians currently are, if CRA snitch line tips are any indication.

## What is CERB fraud?

According to the federal government’s [“Justice Laws Website,”](#) fraud entails “deceit, falsehood or other fraudulent means.” Assuming this is the standard that the CRA applies to its CERB fraud investigations, most CERB recipients should be safe. Simply making mistakes on your application wouldn’t get you in trouble.

That’s good news for CERB recipients hoping to avoid fraud charges. The federal government is planning fines up to \$5,000 for “true” CERB fraud; avoiding that penalty would be a win. However,

avoiding criminal prosecution doesn't mean you won't have to pay your CERB money back. Even if you didn't commit fraud, you may have to pay back the money you received. If you spent your money before the CRA called you up, that would be a big problem.

## How to stay safe

Ultimately, the best way to avoid CERB fraud investigations is to steer clear of the benefit. If you genuinely meet the eligibility criteria, by all means, apply. Otherwise, it's probably best to skip the CERB.

If you have savings, you may not even need CERB money anyway. All it takes is \$100,000 invested in an ETF like the **iShares S&P/TSX Index Fund** ([TSX:XIU](#)) to create a \$3,000-a-year income stream. That's equivalent to a month and a half of CERB — although spread out over a longer time period.

If you invest in a fund like XIU, you can hold a big chunk of it in a TFSA (up to \$69,500) and avoid paying taxes on it. The CERB, however, is fully taxable, with no options for sheltering the income. This makes ETFs like XIU much more tax efficient than CERB money. Not only that, but their dividends could be paid forever, while CERB income will run out when the government deems it no longer necessary.

### CATEGORY

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1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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