CERB: The CRA Could Take Away Your $2,000 Payment

Description

The Canadian government has helped you through the COVID-19 pandemic, which brought the world economy to a standstill. In these tough times, when many were left jobless or suffered through pay cuts, the Canada Revenue Agency (CRA) jumped to the rescue. The CRA disbursed up to $2,000 in the Canada Emergency Response Benefit (CERB) to those who applied for the benefit. The CRA made mistakes in this rush. Now, it is rectifying its faults and calling back the money wrongly distributed between April and June. It is also tightening the scrutiny on the applications for July and August.

It's okay if you wrongly received the CERB

As there was a lot of confusion on who was eligible and who was not, many people applied for the CERB when it was introduced in April. It's okay if you wrongly received the benefit. The CRA is allowing you to voluntarily repay this money by December 31 and avoid the tax bill on these payments.

If you want to know whether you were eligible for the CERB, answer the following questions:

- Did you quit your job voluntarily?
- Have you earned more than $1,000 for the entire four-week benefit period you applied for?
- Did you apply for and receive the CERB payment from both Service Canada and the CRA for the same period?
- Have you received both Employee Insurance and CERB for the same period?

If the answer to any of the above questions is yes, you are not eligible for the CERB payment for that period, and you should repay this money to the CRA or Service Canada. Even now, if you are unsure whether or not you qualify for the benefit, the CRA has started a helpline to address your queries.

For July, if you are not eligible for the CERB, the CRA will automatically stop paying the benefit, as it tightens its application scrutiny.

CRA could impose a penalty

If you fail to voluntarily repay your benefit payments, you will be taxed on the CERB amount. The CRA could impose a financial penalty if it finds out that you purposely filed a fraudulent claim. And if you are refusing to return to work just to enjoy the CERB benefits for another two months, you could face an even higher financial penalty.

The penalty amount is still under consideration, and no bill has been passed yet. But there will be a penalty for fraudulent claims. It's better to repay any faulty benefits to avoid any type of penalty.

Earn your own $2,000 CERB payment

Instead of relying on the CRA to meet your necessities, you can earn your $2,000 monthly payment. Invest early and regularly through your Tax-Free Savings Account (TFSA). If you start investing $100 every week in an investment that fetches you 5% annually, you will have $26,800 in your TFSA in five years. If you break down this amount, it can give you $2,200 in monthly payments for an entire year. Plus, this amount will not be taxable.

One stock that can fetch you $26,800 in five years is **SmartCentres REIT** (TSX:SRU.UN). It has a five-year average dividend yield of 5.6%. The REIT earns money by collecting rent from its retail tenants and distributes this rent to shareholders in the form of dividends. It has a large exposure to **Walmart**, from which it earns 25% of its revenue.

The COVID-19 pandemic temporarily shut many retail stores, sending SmartCentres stock down 33% year to date. However, Walmart was open and working, which helped the REIT maintain its dividend per share even in the lockdown. The decline in stock price has increased its dividend yield to 9%. This dividend yield will average out to 5.6% over the years, as the stock price recovers.

If you have $10,000 to invest in SmartCentres, you can earn $900 every year in dividend income.

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