



## CERB Users: How to Avoid Unpleasant Surprises From the CRA Next Year

### Description

If you're one of the millions of Canadians who have received Canada Emergency Response Benefit (CERB) payments in the past few months, be prepared to owe money to the Canada Revenue Agency next spring.

### CERB is fully taxable

CERB payments are fully taxable, and – unlike a typical pay cheque from your employer – taxes are not deducted from the amount sent to you by the government.

For many CERB beneficiaries, it will be a shock when they realize they owe money next year. Even worse, many people receive tax refunds. If you normally count on a tax refund, you not only may *not* receive one next year, but you could also owe money to the CRA.

For newly unemployed people, a balance of tax payable may be particularly difficult to swallow. And since millions of Canadians have perceived CERB this year, consumer spending could take a hit.

For this reason, it is possible – some even say probable – that the government may modify the program in order to reduce this tax burden.

But as yet, none of these easings have been announced, and recent measures to pin fraudsters who take advantage of the CERB suggest that the government has every intention of recovering the taxes owed by the beneficiaries.

### How much could you have to pay?

It depends on how much money you will earn for the whole year 2020.

If your income before and after the CERB is low, you may not have to pay anything at all. The [basic personal amount](#) for 2020 at the federal level is \$13,229, so if you earn less than that this year, you will

not owe any federal tax.

If the CERB is your only source of income in 2020 and you have received the maximum amount of \$12,000, you will not pay any tax if you live in Quebec, Alberta, or Saskatchewan. Residents of other provinces will have a provincial tax balance ranging from \$46 (Nova Scotia) to \$234 (Manitoba).

Once the basic personal amount is exceeded, the tax balance can quickly represent thousands of dollars. Each situation is different, so you will need to carefully consider yours.

To determine the amount of tax payable on your CERB payments, you will need three data: your 2020 income before the CERB, the total amount of CERB you have received or will receive, and an estimate of your income until the end of 2020.

Once you have these numbers, you can determine how much tax you are likely to pay. You can use an [online estimation tool](#) to help you. Enter all of your non-CERB income for 2020. Record the tax balance. Repeat the exercise including the CERB. The difference is what you should expect to pay.

## Prepare a plan of attack

To be sure that the money will be available by the 2020 tax deadline, you could open a new separate savings account and deposit a portion of your income in it.

If you need the CERB amount right away, you may not be able to put some aside. If you can do it, it helps, but if not, you can compensate when you return to work.

For some, it could be interesting to put their CERB payments in an RRSP. Indeed, the amount will be deducted from your income on your tax return, which could offset some or all of what you owe in CERB payment taxes.

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### Date

2025/08/27

### Date Created

2020/07/17

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