



The CRA Extends CEWS Until December 2020: Is CERB Next?

Description

On July 17, the Canada Revenue Agency (CRA) [extended the Canada Emergency Wage Subsidy \(CEWS\)](#) to December 19. This extension has raised questions as to whether a similar extension is coming for the Canada Emergency Response Benefit (CERB). The CERB is the most popular COVID-19 response benefit of the CRA as it reaches out to Canadians at large.

Under the CERB, the CRA pays out \$2,000 per month to those who lost their job because of COVID-19, and are earning less than \$1,000. In June, the agency extended the CERB for another eight weeks till September as many Canadians were still out of work. While the unemployment situation hasn't improved significantly since June, more businesses are now ready to open.

Will the CRA extend the CERB?

Back in April, the CRA's focus was to keep Canadians at home. Now its [focus is to bring Canadians back to work](#). However, history has shown that it's not easy to withdraw a radical benefit like CERB. This benefit is similar to Universal Basic Income (UBI), which Justin Trudeau's party has been using within some parts of Canada.

But continuing the CERB for a longer period will take a toll on the Canadian government's fiscal deficit, which is estimated to rise more than 1000% to \$343 billion in 2020/2021. While the chances of the CERB becoming permanent are slim, the CRA might extend the benefit until December 2020.

The possible changes the CRA could make in the CERB

When the CRA extended the CEWS, it redesigned the subsidy to match the back to work objective. If it decides to extend the CERB, it will introduce many changes that encourage Canadians to go back to work.

The redesigned CEWS will gradually decline and end in December. This method could be effective even for the CERB because a sudden withdrawal of the benefit will have a negative consequence on

those still relying on the benefit. The CRA could extend the CERB to December and could gradually phase out this benefit during the extension period.

In the case of CEWS, the CRA has eased the eligibility criteria. It could do so for the CERB as well. The CRA could remove the criteria of having earned less than \$1,000 in monthly income for the benefit period.

The Conservatives' "Back-to-Work Bonus" proposal suggests reducing the CERB amount by \$0.50 for every dollar earned above \$1,000. For instance, if you earn \$2,500 a month, you will not get a full \$2,000 in CERB payment. Instead, you will get \$1,250 in CERB. This way, those who were receiving CERB will continue to receive it without reducing their monthly income.

The CERB has an expiry date – but passive income doesn't

No matter how much I tout the extension of the CERB, the truth is that this benefit has an expiry date. The huge deficit the government is incurring because of the CERB could lead to reduced benefits and higher taxes in the future.

This is a good time to build a personal CERB pool that can help you pay for your living expense during emergencies. The taxes could increase in the future. Hence, a good idea is to pay your tax now and make your investment grow tax-free. This is possible with the help of a Tax-Free Savings Account (TFSA).

Investors' alley

For starters, try adding \$500 every month into your TFSA. You can diversify this amount into the best stocks by investing in an ETF. One of my favourite ETFs is the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)). It gives you exposure to the top technology companies trading on the **Toronto Stock Exchange**.

The technology companies will flourish in the post-pandemic economy as the world becomes more accepting of digitization. Many companies have realized the cost efficiency and productivity technology brings.

The XIT ETF has grown at an average annual rate of 20% in the last 10 years. Even if the ETF's average annual returns reduce to 15% in the next 10 years, your \$6,000 contribution every year will convert to \$137,000 by 2030.

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Date

2025/07/25

Date Created

2020/08/04

Author

pujatayal

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