



CERB Recipients: Beware the Audit

Description

The CERB has come and gone. But for many Canadians who took the benefit when it was available, questions remain. Ever since the CERB began, the CRA has been saying that ineligible recipients may have to pay the benefit back. Now, politicians are beginning to push the agency to make good on that. One MP recently called for a “CERB audit,” citing more than 800,000 allegedly ineligible recipients getting the benefit. If you’re a former CERB recipient, you need to be prepare for something like that to happen. Here’s what you need to know.

Two types of audit to be aware of

When it comes to the CERB, there are two types of audits that could impact you:

- A government audit of the CERB program as a whole, which is currently being [called for by MP Peter McCauley](#).
- A CRA audit of your own taxes that reveals you weren’t eligible for the CERB when you received it.

These are two completely different types of audits. If Peter McCauley’s calls for a CERB audit succeed, they will trigger an external audit by a government-appointed auditor. If *you* were audited by the CRA, on the other hand, that would be a tax audit run by the CRA itself. Only the second type of audit could directly lead to you being asked to pay back your CERB. However, it’s possible that an external audit could spur the CRA to do more tax audits, eventually resulting in demands to repay the CERB.

How this could affect you financially

If you’re forced to repay the CERB, the financial cost to you could be enormous. The CERB was available for a maximum of 28 weeks and paid \$500 a week. If you got every CERB cheque possible for every eligibility period, you’d have [received \\$14,000](#). If you were found to be ineligible for the entire 28 weeks, then you’d have to pay back that entire amount.

What to do instead

At this point, there's not much you can do about a CERB audit. The program has come and gone, and if you weren't eligible for the money you received, you may have to pay it back. If you saved your CERB money, you could consider holding on to it into next year instead of spending it, which means you won't have to shell out part of your paycheque every week to repay the CERB.

Looking forward, you have one excellent available to you:

Building a tax-free TFSA income stream that pays you every quarter, so you don't *need* to take benefits like the CERB.

If you have, say, \$100,000 in savings, this is quite doable.

If you invest that much money in a high yield ETF like the **BMO Covered Call Utilities ETF** ([TSX:ZWU](#)), you can get thousands a year in extra income. According to **BMO**, the ZWU ETF yields a little over 8%. It has a high 0.65% fee, so let's just say 7.5%. If you invested \$100,000 at a 7.5% yield, you'd get \$7,500 back in income. That's equivalent to 15 weeks of CERB money—and you could even shelter part of that \$100,000 position in a TFSA.

In 2021, total cumulative TFSA space will be \$75,500, allowing you to tax-shelter about 75% of a \$100,000 ZWU position, leading to a massive tax break. Overall, a solid alternative to taking government benefits—assuming you have some savings to invest.

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