Canada Revenue Agency: Do You Need to Repay the CRA's CERB?

Description

As many as 213,000 Canadians may be required to repay some CERB (Canada Emergency Response Benefit) overpayments amounts to the Canada Revenue Agency (CRA). If you received a letter noting of overpayments or expect that the CRA will come knocking for their money back, it's probably a good idea to send the amount back to avoid potentially stiff penalties.

Spent all of the CRA's CERB? Don't panic

With many Canadians are feeling profound financial pressure amid these "unprecedented times" and the growing possibility that unemployment could skyrocket again, as the horrific second wave of COVID-19 threaten to bring forth harsher restrictions, it's understandable that some may have unknowingly spent CERB overpayments. Regardless, if you own securities, you should look to sell to raise cash for the Canada Revenue Agency, while the **TSX Index** is near a fresh multi-month high.

Sure, you could miss out on huge upside in 2021, but given the magnitude of November's run, I'd argue that the risk/reward is questionable and that we're overdue for a pullback. The last thing you want is to be forced to sell after a 10-15% decline in the stock market once the Canada Revenue Agency asks you for their money back.

In a prior piece, I'd noted that cyclical stock **Magna International** was a top candidate for Canadians looking to raise cash so that they could repay any outstanding amounts of the CRA's CERB overpayments. This piece will look at another expensive stock that I think could be at risk of surrendering a huge chunk of gains going into year's end.

Consider trimming CIBC stock for cash to pay back the Canada Revenue Agency

Consider **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), or CIBC for short. The Big Five Canadian bank has done a spectacular job of navigating through the coronavirus crisis. While

CIBC's management team deserves high praise, a part of the reason for CIBC's relative outperformance this year is due to its loan mix, which didn't have as much exposure to the sectors of the economy that have been feeling the most pain from the COVID-19 crisis. Most notably, CIBC wasn't overweight in loans to the oil and gas (O&G) scene, which has essentially been at ground zero of the coronavirus crisis.

Not to discredit CIBC CEO Victor Dodig and his team, but CIBC, I believe, has been luckier than some of its peers, like **Bank of Montreal**, going into the crisis. CIBC's exposure to high-risk COVID-hit loans comprised a small minority (less than 5%) of the bank's total loan book. It's this below-average exposure that kept CIBC from crashing as hard as some of its peers, most notably BMO.

With the pandemic's end likely in 2021, CIBC also has less room to run as the world economy (and the O&G sector) looks to bounce back. At the time of writing, CIBC stock trades at 13.6 times trailing earnings. That's the highest price-to-earnings (P/E) multiple I've seen on the number five bank in quite a while.

Is the premium price tag deserved on shares of CIBC?

I don't think it is. CIBC has already recovered the ground lost from the coronavirus crash, and its low exposure to risky COVID-hit loans won't mean much once things are back to normal. Heck, count me as unsurprised if CIBC sports a discount to its peer group again, as its harder-hit peers like BMO catch up in the new year.

If you think you may owe money to the Canada Revenue Agency and own shares of CIBC, I'd look to take profits, so you'll be ready to repay the taxman and steer clear of any penalties.

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