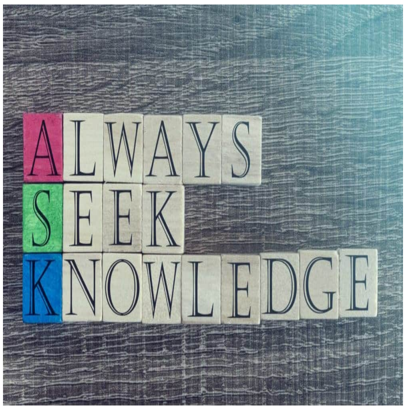

2 Ways the CRA Could Ask You for the $14,000 CERB Back

Description

The CERB has been over for a while now, and it's replaced with the EI and the CRB primarily, which are comparatively more demanding (by design). The concept behind discounting the CERB and replacing it with other benefit payments was to nudge people into action and, in a way, force them to rejoin the workforce and restart the economy.

The CERB was very lenient, and as a consequence, many people opted for receiving the easy benefit payment instead of turning to hard work and restarting their jobs. The EI and the CRB are a bit more discerning and relatively short-tenured. They are expected to ensure that people would expand every effort they possibly can to find a job instead of delaying in favor or receiving benefit payments.

But just because the CERB is over doesn't mean that the CRA has forgotten that many ineligible recipients received the CERB benefit. The people are encouraged to send their CERB payments back voluntarily. If that doesn't work, the department might start penalizing people. Two of the ways the CRA can ask for a part (or full) amount of your CERB back are:

CRA's piece of the pie

The CERB was not tax-free. Unlike the current CRB that's taxed at the source, the whole $2,000 a month CERB amount was released to the recipients. They are supposed to add this payment to their taxable income and pay the relevant amount of the $14,000 CERB back to the CRA. The amount would vary with your tax bracket.

Unqualified recipients

Whether you did it by mistake or knowingly lied to the CRA to receive the CERB benefits, if you don't qualify, you might have to pay the CERB back, maybe all of it. It can be a problem for people who don't have a sizeable amount stashed away. You need to pay back the CERB because you didn't qualify but still received and used it and later realized your mistake.

Even if you can't pay back the full amount at once, you need to reach out to the CRA and discuss an arrangement that works for you.

Self-grown benefit payment

If you qualified for the CERB and only received payments for periods when you were eligible, you might be in the clear. Still, a much safer option than the benefit payment would have been to rely on your own, self-grown funds, that is, your TFSA nest eggs. If you want to create one for any future financial disasters, one stock you may want to consider is **TFI International** (TSX:TFII).

It's a transport and logistics company that saw its business and its stock price grow quite rapidly during the pandemic. Its year-to-date returns are 52.2%, and if you had bought the stock when it cratered in March, you'd now have grown your stake in the company by 171%. It's not brutally over expensive right now, but the prudent thing to do would for a dip in the stock.

Foolish takeaway

Even if you don't have to send back the whole $14,000, you will have to pay taxes on any CERB payments you have received. This is another area where the TFSA funds are better since they don't come with a tax obligation.

You should apply for government benefits when you are eligible, but that shouldn't be your only route when you are in a financial crisis.

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