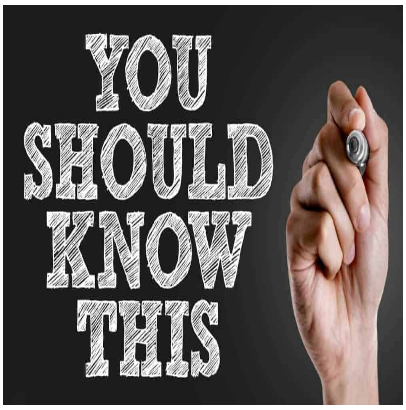

CERB Repayment: Do This to Avoid the CRA's December 31st Payback Demand

Description

The CRA wants its CERB money back. And it wants it no later than December 31. In recent weeks, the CRA has been sending out letters demanding re-payment to hundreds of thousands of CERB recipients. The agency thinks that about 213,000 Canadians received the benefit in error. They have until the end of the holidays to pay up.

If you received the CERB and have already received a repayment letter, there's not much you can do. Experts generally recommend paying up any CERB money you owe, because challenging the CRA's assessment is unlikely to succeed.

However, there is a way to avoid *getting* a CERB repayment letter if you haven't gotten one already. This is an extremely simple tax strategy that not could not only help you keep the CERB, but also keep you in good standing with the CRA in general. In this article, I'll explore it in detail.

Don't claim too many deductions

If your income was close to the $5,000 threshold in 2019 or 2020, you can keep it above board by claiming fewer deductions than you normally would. There's no law saying you have to claim all the deductions you're entitled to. If you grossed $5,001 in 2020 and had just one $100 deductible expense, claiming that expense would put you below the CERB threshold. By not claiming it, you'd keep yourself 100% CERB eligible.

This strategy was recently recommended to self-employed Canadians by Toronto lawyer David Rotfleisch. But you actually don't need to be self-employed to use this strategy. There are many deductions related to charitable contributions, child care, and so on that regular nine-to-five workers can claim. By not claiming them, you might pay an extra few bucks in taxes. But if you're close to the $5,000 threshold, you'd gain the benefit of keeping *all* your CERB money.

Don't worry! You can still save on taxes

If the idea of paying higher taxes just to keep your CERB money feels like a Faustian bargain, don't worry. First of all, you're not going to pay significant taxes at a total income level near $5,000. Second, you can still keep working to lower your taxes on investments.

By holding stocks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) in a TFSA, you lower your tax rate while keeping your employment income intact. With an RRSP contribution, you risk triggering a deduction that you can't avoid — because your bank automatically sends RRSP info to the CRA. But with the TFSA, there's no deduction in the mix, so your employment income isn't affected.

TD Bank stock is a solid contender for a TFSA, because it pays dividends. Dividend stocks pay income that you can't avoid taxes on. Unless you hold them in a TFSA. With a 4.4% yield, TD Bank stock pays $2,200 a year if you buy a $50,000 position. Outside a TFSA, that's all taxable. Inside a TFSA, you pay no taxes on it whatsoever. The same goes for capital gains. So, the tax saving power is substantial, and you don't risk lowering your income to a level where you'll have to repay the CERB.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/21
Date Created
2020/12/15
Author
andrewbutton