



Warning: CRA May Take Back Your \$14,000 CERB Payments

Description

Over the past few weeks, many Canadians have received disconcerting letters from the CRA.

These letters were sent to those who received the Canada Emergency Response Benefit (CERB), and for whom the agency cannot confirm their income requirements.

Understandably, many who received the letter are frustrated, scared, and confused.

The confusion stems from one simple word: “net.”

According to the CRA website, CERB is intended for residents who have stopped working because of reasons related to COVID-19. In order to qualify for the benefit, recipients must have employment and/or self-employment income of at least \$5,000 in 2019 or in the 12 months prior to the date of their application.

While tax experts generally understand that the income requirement (specified by the CRA when the CERB applications opened) was meant to include net income only, most Canadians are not tax experts.

Instead, many recipients of CERB filed for the benefit based on their gross income. However, according to the CRA, the qualifying income must be net pre-tax income, or gross income minus expenses.

CRA taking educational approach

Regarding the letters, the [CRA told CBC News](#) that it is taking an “educational approach,” explaining who qualifies and who does not based on their income. In the letters, the CRA is requesting that all money paid out incorrectly, is repaid to the CRA by December 31. This date is not to be confused with a payment deadline and is only a recommendation meant to avoid problems on tax returns.

Last week, Prime Minister Justin Trudeau told the House of Commons that the CERB and other emergency payments established swiftly in the early days of the pandemic are now being verified “on

the back end,” and that people who made “good-faith mistakes” with regard to net income will not be penalized.

It is clear that those who misunderstood the required income and received the CERB will not face burdensome penalties in addition to the repayments. Trudeau said, “The rules did not change, but we indicated to Canadians that we will work with them if people made good-faith mistakes.”

In the statement received by CBC News, the agency noted, “The CRA is sympathetic to the fact that, for some individuals, repayment of these amounts may have financial implications. For this reason, payment arrangement parameters have been expanded to give Canadians more time and flexibility to repay based on their ability to pay.” The statement continued, “It is important to note that Canadians who applied for the CERB in good faith, and are later required to pay money back, will not be charged with penalties or interest.”

Canadians shocked and panicked

Despite the cordial tone in the letters sent out by the CRA, many Canadians who received the letter expressed shock and dismay.

One example involves Christine MacDonald, who runs a home-based custom cake business. MacDonald applied for the CERB in March and received her first payment in April. Everything she read led her to believe she qualified for CERB because she made more than \$5,000 in self-employment income in 2019.

But on November 26, MacDonald received the letter from the CRA, advising she did not qualify for CERB and would have to pay back all of the money she received.

Since she received the latest CRA correspondence, MacDonald has [faced sleepless nights](#) and questions how she will be able to afford any gifts for Christmas this year.

MacDonald says she has no ability to pay the CRA back. And she is not alone. Many who received the letter are concerned with their ability to repay the benefit.

Create an income stream

As we have seen during the pandemic, many Canadians are unprepared to face a significant financial setback, such as a job loss or reduced hours.

A reliable income stream could provide some financial security during an economic downturn, like the COVID-19 outbreak. One way to build a reliable income stream is to invest in high-quality dividend-paying stocks.

One stock to consider is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Despite business challenges during the pandemic, Enbridge’s core business continued to perform well and witnessed a [high utilization rate](#), allowing the company to continue to pay its robust dividend.

In fact, Enbridge recently hiked its annual dividend for the 26th consecutive year. As of this writing, the company has a dividend yield of 7.67%.

This fantastic yield should be safe for years to come, according to Enbridge CEO Al Monaco. He said that the dividend hike reflects the company's ability to drive 5-7% growth in its distributable cash flow per share annually through 2023 and beyond.

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