



CRA's Educational Letters: Time to Pay Back the CERB!

Description

The Canada Revenue Agency (CRA) recently sent 441,000 “educational letters” to Canadians who received the CERB. The letters were to explain to the recipients that their CERB eligibility wasn’t confirmed. While the CRA stopped short of accusing these individuals of being ineligible, the letters sent a clear message:

If you received the CERB, you’ll need to prove that you were eligible. Otherwise, you’ll have to pay the money back.

Why these letters were sent

In the rush to get COVID-19 aid out to Canadians quickly, the CRA pushed through CERB applications with less scrutiny than normal. This was an intentional decision, as processing a CERB claim as thoroughly as an EI claim would have taken a lot of time.

While the review was going on, an applicant might miss rent or other bills. To avoid that happening, the CRA took Canadians at their word and pushed out CERB payments with record speed. The “educational letters” we’re now seeing are the end result of that decision.

213,000 letters sent earlier

In addition to the 441,000 educational letters, the CRA also [sent out 213,000 letters](#) to Canadians who received *more* CERB payments than they should have. To both groups of Canadians, the CRA is recommending that they repay their CERB money by December 31. If you’ve been told to repay by the 31st, read on, because in the next section, I’ll be exploring the significance of that date in more detail.

December 31: Not quite a “firm” deadline

The December 31 CERB repayment date the CRA has mentioned is not a firm deadline. You aren’t in

violation of any laws if you take longer to pay it back. However, you may have to pay *more* money back if you wait until after the 31st.

According to the CRA's website, you have to [pay taxes on your CERB money](#) if you want until after the 31st to pay it back. Waiting too long could therefore result in a situation where have to pay back your CERB money *and* a pile of taxes on top of that.

A note for the future

If the CRA's educational letters have you stressed beyond belief, you have options. You can always file your 2019 taxes to prove to the CRA that you were eligible for the CERB. If you want to do that, then you should do it soon, because we're getting close to the date after which you become liable for CERB taxes.

Another option you can consider is setting yourself up to *not need* government benefits in the future. As 2020 taught us, benefits like the CERB come with many strings attached. Just one wrong move can get you on the receiving end of an "educational" letter—or worse.

To avoid situations like this going forward, you might want to start investing in a Tax-Free Savings Account (TFSA). The TFSA is a tax-sheltered account that spares you taxes on investments. You can hold stocks like **Toronto-Dominion Bank** ([TSX:TD](#)) ([NYSE:TD](#)) in one, and pay no taxes whatsoever. If you save \$50,000 and invest it in TD, you'll get \$2,200 in annual dividends.

That's because the stock has a 4.4% dividend yield—that is, annual cash payout as a percentage of share price. Inside a TFSA, you'd pay no taxes on TD dividends. Ditto for capital gains from selling the stock. Outside of a TFSA, you might pay a lot of tax.

So you can use the TFSA to grow investments long term, eventually building up an income-producing portfolio that pays you thousands of dollars a year.

In the end, you might get so much income from your TFSA that you'll never have to worry about CRA letters again. And even if you don't make quite that much money, whatever you do make will be tax-free.

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