



441,000 Canadians Might Have to Give Back the \$14,000 CERB to the CRA

Description

The CERB was created to help Canadians out of the financial difficulties they might've faced due to the pandemic. Millions of people lost their jobs, thousands of businesses closed down, and gig-workers couldn't find work. These people needed government aid to get by and meet their basic needs, and the government aid came in the shape of the CERB.

Like most other benefit payments, the CERB had requirements. A recipient needed to fulfill these requirements before applying and qualifying for the CERB. But it was a difficult time, and to ensure that all those who needed help got it, the CRA didn't scrutinize the CERB applicants as thoroughly as it would have and released many of the payments in good faith.

Now that things have settled down and the CERB is over, the CRA is tracking unqualified CERB applicants and informing them that they may need to give their CERB [benefits back](#) — all \$14,000 of it, in some cases.

The education letters

The CRA has sent 441,000 education letters to CERB recipients informing them that they might not be qualified for the CERB payments they have received (and utilized). The letters are sent to individuals who didn't fulfill one of the CERB requirements (e.g., an income of \$5,000 in 2019 or the past 12 months.) The problem would be more consistent with self-employed individuals since the CRA would have difficulty consolidating their income.

Many recipients claim that the government's "definition" of this \$5,000 income requirement was flawed and didn't mention the expense deduction explicitly. The CRA claims that when it comes to self-employment income, the department always considers net pre-tax income (income minus qualified expenses), and this definition hasn't changed for the CERB.

The CRA is not actively collecting on its debt now and won't be until it's "responsible to do so." And since it's difficult for people to pay thousands of dollars back at once (even if it's mandatory), the CRA is willing to work with people on their repayment schedule and terms.

A safer alternative

If someone was unsure whether they qualified for the CERB or not, it would have been better for them to use their own TFSA savings to get by instead of applying for a payment that they might need to send back. This is also true about the CRB that many people are now receiving. The right investments at the right time can allow your TFSA funds to grow into substantial safety nets.

For example, if someone [had invested](#) just \$2,000 in **Boyd Group Services** ([TSX:BYD](#)) 10 years ago (Jan. 2011), they would now have a nest egg of about \$68,000 in the company. That's significantly more than the \$14,000 people got in CERB (if they got paid for every period). And in your TFSA, the asset would have also grown tax-free.

Foolish takeaway

If you are applying for a benefit payment, make sure you are eligible for it. When times are desperate, people sometimes make mistakes and think that they would be able to fix those mistakes when things get better. But it's a dangerous approach. You can imagine how difficult it would be for many people to save and payback the hefty \$14,000 amount to the CRA, especially if their financial condition was shaky to begin with.

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Date

2025/07/21

Date Created

2020/12/22

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