



CRA: The CERB Repayment Date Is Here

Description

If the CRA has instructed you to repay the CERB, today is the day you should repay it. Earlier this month, the CRA went to great lengths to inform ineligible CERB recipients that they should repay the benefits by December 31. If you received one of these letters, then you should definitely try to repay all or most of your CERB money by the end of the day. Technically, you're allowed to take longer to repay your CERB benefits. But there are some ugly tax implications if you wait until tomorrow or later. In this article, I'll explore what those implications are and how you can avoid them in the future.

What happens if you don't pay it back today?

If you don't pay back all your CERB money owing [by the end of the day today](#), then the money counts as income for 2020. At that point, you'll officially start owing taxes on the money. If you owe the CRA \$14,000 in CERB repayments and have a 33% marginal tax rate, you'll have to pay \$4,620 in taxes. Once we are in 2021, you'll have to pay this amount in taxes whether you repay the CERB or not. It's not clear at this point whether the CRA will allow you to offset your taxes paid against CERB money owing. Given the uncertainty, it's best to pay the money back today.

Investments can soften the financial blow

If CERB repayment has you stressed out, then now would be a good time to prepare for future financial emergencies. As we learned in 2020, government assistance comes with many strings attached. If you receive assistance, spend it, and then are asked to repay it, you're arguably in a worse position than when you began.

This is why it might be a good idea to establish a "rainy day" fund, so you *don't* have to take benefits in the future. If you have savings, you can rely on them rather than taking "fickle" government aid payouts like the CERB. This can spare you being caught up in situations like the ongoing CERB repayment fiasco.

You can even invest your "rainy day fund" in the markets to grow it over time. If you invest, say, \$10,000 in an index fund like **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)) and hold it in a TFSA, you

could grow it by 5-10% annually. Thanks to the TFSA's tax-saving features, you would pay no taxes on your returns. XIU has a 3% yield, so you'd get \$300 in dividends every year on a \$10,000 position. You would pay no taxes on that, nor on any proceeds from selling stock. With index funds like XIU, you can grow your money over time, with relatively little risk. Eventually, you could build a nice-sized nest egg that could pay your expenses during a future crisis like the one we saw in 2020.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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1. Business Insider
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