Canada Revenue Agency: You Might Not Have to Repay the CERB After All

Description

Last year, many Canadians got an unwelcome Christmas gift from the Canada Revenue Agency (CRA). In December, the CRA started mailing out repayment requests to former CERB recipients who they believed weren't eligible for the money. Initially, the agency just sent out educational letters that explained CERB eligibility. Later, the formal requests for repayment came.

For months, it looked like the CRA wasn't budging on these demands. But recently, the situation changed. Last week, the Canada Revenue Agency changed its rules for CERB eligibility, making income standards more flexible. As a result of the changes, self-employed CERB recipients will be allowed to claim their gross income instead of their net income. Because of this, they may no longer have to repay the CERB money they received last year.

Big benefit to the self-employed

The recent Canada Revenue Agency rule changes are primarily beneficial to self-employed people and small-business owners. Under previous rules, these workers had to report their *net* income for CERB purposes. If that was less than $5,000, then they weren't eligible. But if they reported their *gross income* instead of their net income in their applications, they may have gotten the CERB anyway. This led to many of them being asked to repay the benefit.

Under the new rules, many of these Canadians are safe. As long as they grossed over $5,000, they meet the new standard. That covers a great many self-employed Canadians, who are now exempt from paying back the CERB.

However, for conventionally employed Canadians, the old rules stand. And many Canadians will still have to repay their CERB money this year. In fact, many already have. As of June 3, 2020, 190,000 Canadians had been asked to repay the CERB. By now, the figure is probably much higher. Some of these Canadians will get their CERB money back as a refund because of the rule change. But they are in the minority.

A good idea: Prepare for the future

If all of this talk about CERB rules has you confused, you're not alone. Many Canadians reported last year that they were confused about CERB eligibility. Some were so confused that they opted not to apply. It's beginning to look like they made the right call. As a rule, it's best to avoid benefits like the CERB that have many "strings attached" if you can afford to, as you never know when those "strings" will start tugging.

Plus, there are other ways to prepare for crises like the one we're living through now. By saving money, you can build a rainy-day fund that will pay for your expenses when it becomes necessary. And if you invest it, that money can grow.

By holding ETFs like **iShares S&P/TSX 60 Index Fund** (TSX:XIU) in a TFSA, you can get the benefit of tax-free growth and dividends. Funds like XIU are among the least-risky investments you can buy, because they have ample built-in diversification. Diversification lowers risks by spreading your "eggs" across many baskets. So, if one stock in the ETF declines in value, another one might make up for it.

At today's prices, XIU yields about 2.85%. That means that you get $1,425 in annual cash back on a $50,000 position. On top of that, you may get capital gains that take your total return even higher. Over a decade a more, you could easily double your money with index funds like XIU. And all you need to pay in exchange for strong potential returns is a low 0.16% fee. It's simply one of the best ways to put your money to work for you.

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Author
andrewbutton