



Are You Self-Employed? The CRA Won't Ask You to Repay the CERB If...

Description

Many Canadians prefer corporate jobs over self-employment for the many benefits it offers. But last year, the Canada Revenue Agency (CRA) temporarily bridged this gap. The CRA offered self-employed individuals similar benefits as employees. It gave \$2,000/month in Canada Emergency Response Benefit (CERB). It aimed to provide financial support to self-employed individuals who did not get paid for their invoices or lost their contract because the government announced a nationwide lockdown.

Between March and September 2020, the government paid just over \$81.6 billion in CERB to 8.9 million people.

Are you worried about CERB repayment?

There was a lot of confusion around the CERB as the government disbursed these payments in a hurry without stringent background checks. It gave the benefit even to those who had not filed their tax returns. The result was many fraudulent CERB claims. The CRA later investigated the CERB claims and reached out to individuals asking them to repay the benefit, or they will claw it back.

Every eligible Canadian got up to \$14,000 in the CERB. If you wrongly received the CERB even for two months, that brings a \$4,000 repayment bill. And if you have used up this benefit money, the CERB repayment is nothing but a burden. Hence, many Canadians repaid the benefit as they believed they wrongly received it.

Are you worried that the CRA will [take away](#) your CERB in the 2020 tax bill? Then you should read this as the CRA has clarified that it won't ask you to repay the CERB under certain circumstances.

When will the CRA ask you to repay the CERB?

The CRA will take back your CERB payments if you were not [eligible](#), or refused to work to continue receiving the CERB. The key eligibility criteria for the CERB is you earned at least \$5,000 in 2019 or

12-months to March 2020. This eligibility confused many self-employed individuals about which income the CRA meant. Is it referring to the gross income or the net income after deducting the expenses incurred to perform the work?

If you are a self-employed individual, the CRA stated that it will not ask you to repay the CERB if your net-income was below \$5,000 as long as your gross income is \$5,000 and above.

For instance, Anna started baking cakes in June 2019 and had a gross income of \$8,000 before March 2020. However, her net income was \$3,500 as she uses expensive ingredients to bake cakes. Her business decreased during the pandemic-induced lockdown.

Anna got the CERB in June 2020, but she was unsure whether she was eligible because her net income was less than \$5,000. Hence, she repaid the benefit by August 2020. The CRA will return the repaid benefit to Anna.

Leverage the CRA cash benefits

The CRA is targeting CERB repayments at high-income earners who wrongly claimed the benefit. If the CRA has returned you already repaid CERB, make the most of it. You can convert this \$2,000 benefit to \$4,000 by investing it in growth stocks through your Tax-Free Savings Account (TFSA). I recommend TFSA as it is a tax-effective way of investing.

As we talk of self-employment, one company that promotes entrepreneurship is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). The stock witnessed its strongest rally last year as the lockdown unleashed the true potential of the Shopify platform. The stock surged 170% in 2020. After a splendid performance, it is seeing a correction in March. It fell 13% last week as this is a seasonally slow quarter for Shopify.

Moreover, it is seeing a cyclical shift as the market is recovering from the pandemic phase to a recovery phase. This correction presents a good opportunity to buy as the stock has immense growth potential in the 2030 decade.

Even though the pandemic effect is fading, it has left a lasting impression of online shopping among consumers and retailers. The pandemic helped Shopify win its biggest battle of changing people's habits. It will see its revenue and earnings normalize in 2021. But it will enjoy investor and consumer confidence in the coming years. The stock can double your money in three to five years.

CATEGORY

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Author

pujatayal

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