



CESTNICK

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TAX MATTERS

## How the CRA may try to identify fraudulent CERB claims

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“No fun at all.” That’s me – according to my kids. No Fun At All is also a punk rock band. If I didn’t know better, I’d assume that the band was made up of Canada Revenue Agency employees. But alas, the band actually hails from Sweden (maybe the band is made up of employees of Skatteverket – the Swedish tax authority).

Okay, maybe there are tax department employees who are actually lots of fun. Yet, when it comes to the Canada Emergency Response Benefit (CERB), it looks as if the taxman is poised to stop the fun for some people. As [reported this week in The Globe and Mail](#), the government released draft legislation suggesting that it intends to prescribe fines, and even imprisonment, for those who have made CERB claims when they weren’t entitled to the benefit.

But how, exactly, will the government identify those who might have claimed CERB benefits when they shouldn’t have? The following are some of the procedures that are, no doubt, being considered by the taxman to identify those who have claimed CERB funds

improperly (sorry for being a party-pooper here):

**You have applied in two different ways.** You can apply for the CERB through both Service Canada and the Canada Revenue Agency (CRA). If you’ve completed an application through one of these then you can’t also apply through the other. In the end, the CRA will know whether you’ve received more than your share by trying to “double-dip” because the total CERB benefits you receive are tied to your social insurance number, and will be reported to the taxman. Any CERB actually received will be compared with the maximum \$8,000 you could receive (\$500 a week for 16 weeks) under the CERB.

**You’ve received both EI and CERB.** You can’t receive both employment insurance benefits and the CERB in respect of the same period of time. It’s one or the other. If you report both EI benefits and your CERB on your personal tax return next year (as you’ll need to do), this will likely flag your return for further review. The CRA will likely review whether benefits were

overlapping for the same weeks. If so, you'll face repayment and could face additional fines.

- **You're under 15 years of age.** Since the CERB is tied to your social insurance number, and your birth date is tied to that identification number, too, it won't be hard for CRA's computer system to flag those who were under age 15 and shouldn't have received the CERB.
- **You didn't earn enough income in the past.** To qualify for the CERB, you had to have earned \$5,000 in 2019, or in the 12 months prior to your application for the benefit. CRA will be able to easily identify who reports a CERB benefit on their tax returns for 2020 but didn't have the minimum earnings in 2019. This could flag you for a review of your CERB benefit.
- **You didn't earn the right type of income.** To qualify for the CERB, you had to have earned employment or self-employment income in 2019 or the 12 months leading up to your application. If you didn't earn these types of income, CRA can easily identify this by looking at your sources of income from your 2019 tax return if you claim a CERB benefit on your 2020 tax return.
- **You earned too much during your claim period.** To qualify for the CERB, you cannot earn more than \$1,000 in any 14-day period for the first four weeks of

your application period, and not more than \$1,000 for any four-week period thereafter. The government may very well require employers to report how much was earned by employees in each of the four-week periods for which CERB benefits are available. This would allow CRA to quickly match CERB benefits received to other income amounts earned during that same period. This won't be as easy for self-employed individuals, so time will tell how the taxman deals with this issue.

- **Relying on the Leads Program.** Call this the "snitch line." The CRA is inviting people to contact the tax department if they know of anyone who is inappropriately receiving the CERB. It's known as the Leads Program. If you're reported by someone as having abused the system, you could be flagged for a review.

If any of the above factors results in a flag on your tax return or file, the CRA may then take the next step to inquire further, to also ensure that you meet the other tests required to collect the CERB. Namely, that you lost your job, your income is reduced or you're off work to look after someone else owing to COVID-19, and not for some other reason.

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