

CESTNICK

## TAX MATTERS

## The nuances of CERB are becoming clearer with time

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Times are tough during this pandemic. People around the world are trying their darndest to earn or find the money they need to, well, live life. Alex Masmej, a 23-year-old Parisian came up with a unique idea: He sold shares in himself (actually, he sold “tokens” in himself, called \$ALEX), raising about US\$20,000 from 30 investors. The investors will receive a share of any money he makes in the next three years, up to a maximum of \$100,000. Mr. Masmej has agreed to promote the investors through social media and – get this – they can also vote on some of his life decisions.

Others have taken a simpler approach to finding the money to help make ends meet, like applying for the Canada Emergency Response Benefit. Since the launch of the CERB almost four months ago, there have been many questions about eligibility and the nuances of the benefit, so today I want to share an update for you.

### EXTENSION OF TIME LIMITS

The first thing worth pointing out is that the CERB program has been extended so that it will now provide benefits of \$500 a week for up to 24 weeks, up from the

previous 16 weeks. The benefit is available from March 15 to Oct. 3. You can apply up to Dec. 2 for retroactive payments within the period I’ve mentioned. So, if you qualify for the CERB for prior weeks and haven’t applied yet, you can still do that.

### INCOME REQUIREMENTS

To qualify, you’ll still need to have earned \$5,000 or more in employment or self-employment income in 2019 or in the 12 months leading up to your application. The Canada Revenue Agency has said, however, that it’s not a requirement that you filed a tax return for 2019 to qualify, but you’ll need to show that you meet the \$5,000 test if the taxman comes asking. CRA also confirmed that tips, honoraria (such as nominal amounts paid to emergency service volunteers), royalties (for example, paid to artists) and non-eligible dividends paid by a corporation to a shareholder will all qualify toward the \$5,000 requirement.

### INCOME LIMITS

When submitting your first claim for the CERB, you’re not able to earn more than \$1,000 in employment or self-

employment income for a period of at least 14 or more consecutive days within the first four-week benefit period. For subsequent claims, you'll be limited to \$1,000 of earned income for the entire four-week benefit period of the new claim. The taxman has confirmed that you're entitled to earn income in excess of \$1,000 in a four-week period provided it's not employment or self-employment income. You could, for example, receive passive investment income without jeopardizing the CERB benefit.

## **TWENTY-FOUR WEEK PERIOD**

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How is the 24-week period calculated? Does it start when you apply for the CERB or when you receive your first payment? The answer is neither. The 24-week period begins with the first week for which you are receiving the CERB (and that may be different from the date of your first payment if you're applying retroactively). By the way, the 24 weeks don't have to be taken consecutively. You could, for example, receive the benefit for the four weeks starting March 15 and reapply for another benefit a few months later. Keep in mind, however, that the 24-week count doesn't restart all over again when you reapply after taking a break.

## **EMPLOYMENT INSURANCE INTEGRATION**

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Sorry, but you can't claim EI benefits and the CERB for the same weeks. But you may be entitled to the CERB if you're a former EI claimant who has used up your entitlement to EI benefits between Dec. 29, 2019 and Oct. 3, 2020, and are unable to find work because of the pandemic.

## **VOLUNTARY LAYOFFS**

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While you won't qualify for the CERB if you voluntarily quit your job, you will qualify if you volunteer to be temporarily laid off to help your employer through the financial challenges faced owing to COVID-19.

## **RECEIPT OF SEVERANCE**

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If you happen to receive a severance payment during this pandemic, the amount of the severance won't count toward the \$1,000 income limit that could cause you to lose your CERB benefit.

## **STUDENT WORKING PART-TIME**

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If you're a student who has been working part-time during the school year, or this summer, and you've lost your job because of COVID-19, you'll qualify for the CERB (which is more generous than the Canada Emergency Student Benefit) provided you meet the income requirements and limits I mentioned earlier.

## **PENSION INCOME**

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You can earn pension income while collecting the CERB, and this income won't count as earned income toward the \$1,000 limit I spoke about earlier. Nor will pension income count as part of the \$5,000 of earned income you'll need to qualify for the CERB.

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