

Canada Emergency Response Benefit

In response to COVID-19, a new program called the Canada Emergency Response Benefit (CERB) was established to provide \$2,000 per month (i.e., \$500 per week) to workers who qualify for the benefit for up to 16 weeks.

Who is eligible?

Any individual who is or was employed (full-time or part-time), self-employed, or a contract worker—regardless if that individual would be entitled to Employment Insurance (EI) or not—could be eligible for the CERB if they meet all of the following criteria:



At the time of application, the individual is at least 15 years old;



The individual is a resident of Canada;



In 2019 or for a 12-month period preceding the date of the application, had at least \$5,000 of employment or self-employment income, or other related benefits; and



The worker, whether employed or self-employed, ceases working for reasons related to COVID-19 for at least 14 consecutive days within the four-week period in respect of which they apply for the payment.

Based on the [CERB Q&A page](#) on the CRA's website, dividend income could count towards the \$5,000 income requirement to be eligible for the CERB as long as the dividends are non-eligible dividends (i.e., dividends paid out of a corporation's income taxed at the small business rate).

On April 15, the government expanded the eligibility for the CERB to include:

- seasonal workers who have exhausted their EI regular benefits and are unable to undertake their regular seasonal work due to COVID-19, and
- workers who have recently exhausted their EI regular benefits and cannot find work due to COVID-19.

Who does the program target?

The program is targeted to workers (including those who are self-employed) who:

- **have lost their job,**
- **are sick,**
- **are quarantined,**
- **are taking care of someone who is sick with COVID-19, or**
- **are working parents who must stay home without pay to care for children who are sick or at home because of school and daycare closures.**

The April 15 changes also included a rule that allows workers to earn up to \$1,000 of employment or self-employment income and still be eligible to collect the CERB. CRA's website states that non-eligible dividends are included in the \$1,000, meaning an employee with shares in the company can receive up to \$1,000 of non-eligible dividends (and no other income from the employer) and still be eligible for the CERB. CRA also stated that pension, student loans and bursaries would not be factored in to the \$1,000 (i.e. they would not impact the ability to receive the CERB at all).

However, a worker who quits voluntarily would not be eligible for the CERB.

The government also recently announced the intention to work with the provinces to provide a top-up to essential workers that are earning less than \$2,500 per month. This will include workers such as auxiliary nurses, elderly-care workers, grocery store and food supply workers, workers in essential retail services and others. This will likely be a new program administered separately from the CERB.

El benefits vs. CERB

All Canadians who have ceased working due to COVID-19, and who meet the eligibility requirements noted above, whether they are EI-eligible or not, would be able to receive the CERB. Some Canadians will have already applied for EI and are already receiving benefits through this program. This section compares the EI and CERB programs.

Dollar value

The CERB would be equal to a flat amount of \$500 per week, for up to 16 weeks (i.e., \$2,000 per month), which would be paid out every four weeks.

The amount of EI that an applicant receives would largely depend on the amount of the individual's earnings eligible for EI, called the "average insurable weekly earnings." The maximum amount an individual can receive is 55% of the average insurable weekly earnings up to \$573 per week. Individuals with earnings of at least \$54,200 in 2020 would receive this maximum amount.

Although some employees might be eligible for a higher (or lower) amount of EI than CERB based on their income level, all those who would be eligible for EI or CERB on or after March 15 will automatically be receiving the flat amount of \$2,000 per month, regardless of what they would be entitled to under EI.

Already applied for EI?

Canadians who are already receiving EI regular and sickness benefits as of today would continue to receive their benefits and should not apply to the CERB. If their EI benefits end before October 3, 2020, they could apply for the CERB once their EI benefits cease, if they are unable to return to work due to COVID-19.

Canadians who have already applied for EI and whose application has not yet been processed would not need to reapply. Several news reports have stated that individuals who have applied for

EI will automatically have their application transferred to the CERB program. This is the case for any individual that became eligible for EI on or after March 15, regardless of when they actually file the application. For any individual that became eligible for EI before March 15, their application would still be processed under the regular EI program.

The government's website states that if an individual who is currently receiving EI benefits has their benefits end before October 3, 2020, they can apply for the CERB if they cannot return to work due to COVID-19.

Canadians who are eligible for EI regular and sickness benefits would still be able to access their normal EI benefits, if still unemployed, after the 16-week period covered by the CERB.

Are benefits taxable?

EI benefits received are taxable, therefore, they must be included in income. If the recipient's income for the year exceeds \$67,750 for 2020, a portion of EI benefits received will have to be repaid.

The CERB is also taxable, however, unlike EI benefits, there is no requirement to repay if the recipient's income exceeds a certain threshold. Anyone who receives more of this benefit than they are entitled to (e.g., they are out of work for 12 weeks but receive 16 weeks of CERB payments) will be required to repay the excess as soon as they are able to.

How do you apply for the CERB?

The federal government has provided information on how to apply for the [CERB](#). In order to ensure the system can support the expected number of applicants, access will be limited, based on the [birth month](#) of the applicant, as follows:

Birth month	Apply for CERB
January - March	Mondays
April - June	Tuesdays
July - September	Wednesdays
October - December	Thursdays
Any month	Fridays, Saturdays, and Sundays

The government has stated that this will have no effect on when an applicant begins to receive the CERB or on how much they receive.

Applicants will be able to apply via:

- [CRA's My Account](#),
- My Service Canada Account (you will be asked to **Switch to Canada Revenue Agency**), or
- phone, by calling either 1-800-959-2019 or 1-800-959-2041 (you will need to provide some personal information, including your social insurance number).

An applicant must provide any information to support their eligibility for the CERB if requested by the government after applying. Currently, there is no supporting documentation that is required as part of the application process. It is intended to be simple and easy. It should be noted however, that any amounts received by an individual in excess of what they are entitled to will be required to be repaid as early as possible.

Applicants who have setup direct deposit with the CRA would receive payment between 3 - 5 days. Otherwise, applicants will be paid via mail, which will take approximately 10 days.

CERB vs CEWS

With the recent introduction of the Canada Emergency Wage Subsidy (CEWS), which provides qualifying employers with a wage subsidy intended to help pay their workers, many individuals who had already applied and/or started receiving the CERB will be called back to work by their employer. The government has stated that an employer will not be able to claim the CEWS with respect to an employee who has already applied for and received the CERB. For employees who have received the CERB and are rehired or called back to work by their employer, they will likely have to repay the CERB as soon as possible if the 4-week period for which they receive the CERB coincides with the 4-week period in which the employer receives the CEWS. The government has not yet finalized or announced the process to repay the CERB. As these rules can be complex, it would be best for employees who find themselves in this situation to contact their employer to determine the best course of action.

Additional information

For further details on this program, please see the government of Canada's official [news release](#) outlining the new measures that have been enacted into law or their [CERB Q&A page](#).

CERB scams



Be aware: Scammers are trying to exploit Canadians via a CERB-related text messaging scam

Canadians should never respond to any suspicious email, text, phone call or other communication. More information on these types of scams and how you can protect yourself against them can be found on the [CRA's website](#).

Grant Thornton LLP wants to caution that these rules are still new and continue to evolve as the government continues to re-evaluate the economic impact caused by the COVID-19 pandemic. We may still see changes to these measures—as well as new measures—as the government attempts to address the issues that have been raised by us and the tax community. Therefore, any analysis included herein, reflects our knowledge as of the date and time of this email and may no longer be applicable if changes do occur and you should proceed with caution before making any decisions.

Visit our [COVID-19 Hub](#) for timely information and resources and connect with your [Grant Thornton advisor](#) to learn more.

