

News

‘Not moms who tucked money away in a Swiss bank account’: advocates warn of clawbacks to Canada Child Benefit for those who received pandemic supports

Advocates and critics are calling on the Liberals to remove pandemic income supports from the child benefit calculation and to reimburse families for the missing amounts, just as the government did in early 2022 for the Guaranteed Income Supplement for seniors.

BY KEVIN PHILIPUPILLAI

For the second year in a row, parents who received pandemic support payments in the previous calendar year are receiving letters telling them that their Canada Child Benefit payments for the next 12 months will be lower than expected.

Advocates are warning that the effects of these clawbacks will fall disproportionately on single mothers with large families. They are calling on the government to remove pandemic income supports from the child benefit calculation and to reimburse families for the missing amounts, just as the government did in early 2022 for the Guaranteed Income Supplement for seniors.

On July 20, the Canada Revenue Agency sent out its annual letters telling people what they can expect in terms of the Canada Child Benefit (CCB), refundable tax credits, Guaranteed Income Supplement payments for seniors, GST credits, and other federal programs.

Social policy expert John Stapleton told *The Hill Times* that there are “millions of pieces of mail going out this week,” and that in most cases, the income people received from pandemic support programs such as the Canada Emergency Response Benefit (CERB) and its successors, will interact with other



Families Minister Karina Gould announced the annual inflation-based increase to the Canada Child Benefit on July 20, the same day the Canada Revenue Agency sent out letters informing parents how much they would receive over the next 12 months. *The Hill Times* photograph by Andrew Meade

benefits in ways where someone might come out ahead by up to \$100 or behind by up to \$100.

But, said Stapleton, “the one situation where the effect is going to be into the thousands of dollars is the Canada Child Benefit for moderate-income moms.”

NDP MP Leah Gazan (Winnipeg Centre, Man.) told *The Hill Times* that the government “should have dealt with this a long time ago.”

“We know that inflation is impacting the cost of living for all families. Now is not the time to cut back on supports for families in need,” said Gazan, her party’s critic for families, children, and social development.

Leila Sarangi, national director for the advocacy group Campaign 2000, told *The Hill Times* that families on modest incomes are depending on their monthly Canada Child Benefit payments to help them cope with record-setting inflation levels.

“This is not moms who tucked money away in a Swiss bank account and are now taking their kids on some fancy vacation. That’s not what we’re talking about here,” said Sarangi. “These are families that spent that money over a year ago on staying safe in a time of crisis.”

Families Minister Karina Gould (Burlington, Ont.) was not available for an interview, but her press secretary Mohammad Hussain referred *The Hill Times* to Gould’s July 20 announcement of the annual increase to the CCB, which is based on inflation. For the benefit year beginning in July

2022, according to a government press release, families can receive up to \$6,997 per child under the age of six and \$5,903 per child aged six through 17.

Hannah Wardell, a spokesperson for the Canada Revenue Agency, pointed out in an email to *The Hill Times* that “given that the Canada Emergency Response Benefit (CERB) ended on September 26, 2020, it is extremely unlikely that any CCB recipient for this benefit cycle will have their benefits impacted by CERB amounts received in the 2020 tax year.”

Wardell acknowledged that this year’s child benefit could be affected by increases in income in the 2021 tax year “due to the Canada Recovery Benefit or other sources,” but added that “it should be noted that this works both ways—if income declines (for example, due to the impacts of COVID), then CCB amounts can increase.”

Wardell added that “individuals in a position of needing to repay CERB amounts will not have their CCB payments garnished or reduced due to the outstanding debt.”

The government launched the Canada Child Benefit in 2016 and indexed it to inflation in 2018. The program provides monthly payments to low- to middle-income families with children based on the adjusted family net income reported on their tax return from the previous year.

Stapleton, a former Ontario civil servant and the founder of Open Policy Ontario, told *The Hill Times* that the impact of the lower

CCB payments is falling disproportionately on larger families with household incomes of a little more than \$33,000 a year.

The CCB has a built-in exemption that will protect the lowest-income families from these clawbacks, meaning households whose net income for 2021 was below \$32,797 will not see any cuts to their CCB payments. But households who saw their overall income jump slightly over that threshold in 2021 thanks to pandemic supports will see the greatest impact from the clawbacks.

According to Stapleton’s calculations, a single mother of four children who earns just over \$33,000 a year would see her total CCB payments for the July 2022 to June 2023 benefit year cut by more than \$3,000.

“The highest reductions are for the moms with higher numbers of kids,” said Stapleton. He added that women with high incomes would also see their CCB payments clawed back, but that he and other advocates are primarily concerned about the effects this policy is having on mothers with moderate incomes.

A June 8 report from the Parliamentary Budget Officer estimated the government will pay out \$1.45-billion less for the Canada Child Benefit over three years, beginning with the 2021-2022 fiscal year, because it counts pandemic support programs as income that reduces a household’s eligibility for CCB payments. The PBO report added that 1.67 million individuals received lower CCB payments in 2021-2022 because they received pandemic supports, at an average of \$535 less per family over the year.

Stapleton said the way the CCB clawbacks are playing out is in direct contradiction with the government’s stated priorities on gender, since the overwhelming majority of CCB recipients are women. Single fathers do receive the CCB, but in the case of a single mother and a heterosexual, two-parent family, the CCB goes out in the name of the mother.

“If you’re trying to have policies that don’t impinge on women and mothers, this one seems to be particularly bad,” said Stapleton.

Sarangi said the CERB and similar pandemic supports helped many mothers who would otherwise have fallen through the cracks of the existing Employment Insurance system.

“We saw how the closing of the labour market and the economy really affected moms, and especially moms with younger kids. How drastically reduced their labour participation was,” said Sarangi.

Stapleton added that, when similar stories emerged in July 2021 highlighting CCB and GIS clawbacks for the beginning of the previous benefit year, many commentators blamed benefit recipients for not understanding that pandemic supports were considered taxable income.

“They do understand,” he said. “They’ve already been taxed on it. This is a further imposition of taxable credits. Canadians, on balance, don’t understand that benefits like this are not only taxable but reduce their credits.”

Through Campaign 2000, Sarangi has called for the government to immediately implement a full CERB amnesty.

“That’s to immediately cease pursuing anybody on low or moderate incomes for repayment, and refunding in the same way that GIS was refunded to low-income seniors, refunding those clawback amounts so people are made whole in terms of the amount of benefits they should have been entitled to if CERB or any of the pandemic benefits were not included in their income.”

Gazan said the NDP backs Campaign 2000’s call for a full CERB amnesty, “particularly for low-income individuals, families, and seniors.”

Sarangi said she heard support for the idea from MPs at the House Finance Committee when she appeared as a witness on May 17 as part of the committee’s study of Bill C-19, the first implementation bill for the 2022 budget.

“They’ve heard those stories from their constituents from across the country. That people are struggling to pay their rent, people are being evicted because they can’t pay their rent, and are now staying in motels,” said Sarangi.

NDP MP and finance critic Daniel Blaikie (Elmwood-Transcona, Man.) highlighted during that committee meeting the government’s announcement in the fall 2020 economic statement that it had allocated \$260-million over four years to Employment and Social Development Canada and to the CRA “to increase the capacity to detect, investigate and address cases of fraud or misrepresentation related to the Canada Emergency Response Benefit.”

Liberal MP Ken McDonald (Avalon, N.L.) said in committee that he would “tend to support” the idea of a full CERB amnesty for people who couldn’t afford to pay it back, especially if the government was going to end up spending more to recover overpayments than it was actually going to recover.

“In Newfoundland we say, ‘You can’t get blood from a turnip’ if somebody can’t pay a bill. Sometimes it’s just better to take the loss, walk away and be satisfied with that,” said McDonald.

kphilipupillai@hilltimes.com
The Hill Times