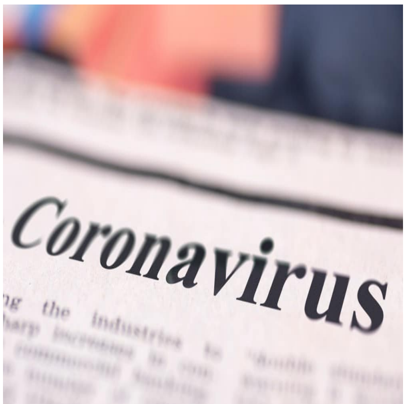


COVID-19 Pandemic: 3 CRA Emergency Measures to Help Taxpayers in 2020

**Description**

In response to the ongoing COVID-19 pandemic, the Canada Revenue Agency is offering a number of measures to help taxpayers. Consisting of both payments and tax deferrals, these measures will help lighten your financial load. Whether you're a retiree, a newly unemployed worker, or an investor, these new CRA measures can help you out. The following are the most significant benefits that you can get.



## Canada Emergency Response Benefit

The Canada Emergency Response Benefit (CERB) is a $2,000-a-month cheque you can get for up to four months. It's similar to EI in that you can get it if you're out of work due to the COVID-19 pandemic. However, it is administered differently. Unlike EI, which has its own board, the CERB is administered by the Canada Revenue Agency. Also, the CERB has far fewer eligibility requirements than EI. For example, self-employed people who never paid into EI can receive the CERB.

## Increases to existing benefits

In addition to the new CERB benefit, the CRA is also increasing its existing cash benefits. For 2019-2020, the CRA is increasing the Canada Child Benefit by $300 per child. To receive this benefit, you need to be the legal guardian of a child under 18 years of age. The CRA is also increasing the GST rebate for the 2019-2020 calendar year. If you're eligible for the rebate, you'll now likely get close to $400, up from about $290 last year. However, the exact amount depends on your income.

## Tax extensions

Now we get into the emergency measure that's most likely to help investors.

Under the COVID-19 pandemic plan, you now have until June 1 to file your taxes and September 1 to pay them. If you are self-employed, your filing date is unchanged, but the payment date is extended.No matter what your employment situation is, these extensions could help you if you have investments.

If you file your taxes late, you'll get hit with penalties. If you pay your taxes late, you'll pay interest on the amount owing. Late payment can be a real issue for investments, because you have to manually send the money to the CRA. By extending the tax payment dates, the CRA has decreased the likelihood of you getting hit with penalties.

To illustrate the effect of these changes, let's look at the case of a hypothetical investor who sold $60,000 worth of **Fortis** (TSX:FTS)(NYSE:FTS) shares. Let's also assume that that investor's marginal tax rate is 30%, and that they bought the shares for $50,000. That would represent a capital gain of $10,000. Under Canada's tax laws, 50% of that $10,000 ($5,000) is taxable. At a 30% marginal tax rate, the investor would owe $1,500. if they paid late, the interest on that could really start to add up.

But the potential taxes don't end there! Fortis is a dividend stock with a yield of 3.5%. That means the stock pays out $1,750 in dividends a year on a $50,000 position. That's also taxable, although it has a 15% credit applied to the grossed up amount. But again, if the investor delays paying those dividend taxes, that's more interest penalties they have to pay. Thanks to the CRA's tax payment extension, the investor may be able to avoid paying the penalty.



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