



Can You Survive on ONLY the \$2,000/Month Emergency CRA Payments?

Description

Financial dislocation is the universal worry in the 2020 coronavirus outbreak. As businesses grind to a halt, companies are [preserving balance sheets](#) while workers are losing jobs. Without regular sources of income, people need temporary relief.

The Canada Emergency Relief Benefit (CERB) is Canada's [emergency measure](#). It provides \$2,000 per month to the employed and self-employed as well as the underemployed. However, can one survive on just this amount being doled out through the Canada Revenue Agency (CRA)?

Taxable benefit

CERB serves as an income replacement benefit while lockdowns are in effect. The federal government is softening the economic blow of the deadly COVID-19 on working Canadians. The \$500 per week for up to 16 weeks is meant to tide people over during the health crisis.

Recipients, however, must be aware of the catch. The CERB is taxable and taxpayers need to report this benefit next year when they file income tax returns for the year 2020.

If you receive the maximum CERB benefit of \$8,000, the tax rate is 15% or \$1,200 at tax time. Thus, the monthly CRA emergency payment is effectively only \$6,800. The tax is not deducted upfront. One analyst advises recipients not to spend it all because you will owe the government taxes in 2021.

Displaced workers growing

Before the emergence of the novel coronavirus, the marijuana industry was already struggling. Industry leader **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) was incurring massive losses to the detriment of major investor **Constellation Brands**.

This \$8.27 billion cannabis producer is on its third round of employee layoffs. About 1,000 have been given the exit door. The firings were announced via a Zoom group call. The restructuring was the

reason given for the layoffs.

The shares of Canopy Growth are among the most volatile in the current environment. WEED posted a 25.4% loss in 2019. As of this writing, the year-to-date loss is 13.4%, with the stock trading at \$23.64 per share.

Canopy CEO David Klein has the daunting task of lowering the company's cost structure while reducing the cash burn at the same time. Apart from the layoffs, there was a multi-million write-down and closures of greenhouses.

In this quarantine era, sales of CBD edibles (+28%) and cannabis-infused beverages (+14%) are rising. Canopy Growth is pursuing the cannabis beverage market that is estimated to be worth US\$2.8 billion by 2025.

Still, Canopy Growth is facing profitability challenges. According to a *Forbes* report, its annual pot sales must be around \$3 billion for the company to stay afloat.

Survival mode

The financial sting of the coronavirus is starting to deepen on workers, including the laid-off staff at Canopy Growth. Millions have applied for emergency benefit.

People are in survival mode. It would be difficult to make ends meet with only \$2,000, especially with rent and other bills to pay. For those who are renting, the CERB is a minimal supplement.

Overall, the monthly emergency payment will not go far enough. However, the case for a universal basic income is getting stronger, with many Canadians experiencing economic shocks in the present health crisis.

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