



CRA Tax Warning: The \$500/Week CERB Is Taxable!

Description

The federal government of Canada is mitigating the [financial impacts](#) of the COVID-19 outbreak by introducing a handful of emergency measures. Various programs are in place that will cost more than \$250 billion in total. Among the earlier measures is the Canada Emergency Response Benefit (CERB).

Workers are the primary focus of CERB. The Canada Revenue Agency (CRA), however, is reminding individual beneficiaries that the money they will receive is a [taxable income](#). If you're a recipient, you must include CERB as income for the tax year 2020, and the CRA will collect the tax due.

Program intent

CERB is a temporary social security program for Canadians who will lose jobs, and work fewer hours due to the pandemic. You can receive \$500 weekly in financial support for up to 16 weeks or a total of \$8,000 within the said timeframe.

The government had to enhance the original CERB to broaden access. Under the latest version, the taxable benefit is available to employees and self-employed individuals as well as part-time, contract, and seasonal workers. The uniform amount did not change and will apply to all eligible individuals.

Tax deferral

Before applying for CERB, understand that the CRA is only deferring the tax and will not deduct any at the source. Tax consultants are advising people not to spend all. It's a life jacket that could drown you in taxes next year.

The minimum federal tax rate for 2020 is 15% (on the first \$48,535 of taxable income), and increases as you move up the income tax bracket. Furthermore, you'll have to consider the provincial tax rates. It can range from a low 4% to a high of 20.3%, depending on your province and taxable income.

If you're asking how much CERB you need to keep, about 20% of each payment should be alright.

Offset the tax bite

You can offset the tax bite with investment income. The CRA will treat CERB as employment income, but not the dividends from a stock like **TELUS** ([TSX:T](#))([NYSE:TU](#)). If you have the cash and appetite to invest today, this telco stock is an excellent choice.

Despite the challenging environment, however, TELUS reported solid financial and operational results in the first quarter of 2020. Its consolidated operating revenue and adjusted EBITDA grew by 5.4% and 4.2% over the same period a year ago. The roaming wireless revenue slipped due to the coronavirus pandemic.

TELUS' world-leading broadband services are essential in the current health crisis. Since the government issued stay-at-home directives, Canadians have been doing remote work or are working from home.

An independent global study showed that overall productivity in the country increased by 25%. Many provinces are also adopting the TELUS virtual care service. The demand for this pioneering home health monitoring solution is fast-rising.

If you invest \$10,000 in this blue-chip stock that pays a 5.15% dividend, you will generate \$515 in passive income.

Save up for the tax bill

The purpose of the CERB is to provide temporary relief if money is tight. Spend all if you need to, but be sure to save up for the tax bill when regular work resumes.

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