How to Make Sure the CRA Doesn't Take Back Your $2,000 CERB

Description

The COVID-19 lockdown has affected Canadians throughout the country. To tackle the situation, the Canada Revenue Agency (CRA) has prioritized approving Canada Emergency Response Benefit (CERB) applications as swiftly as possible.

That being said, the CRA is aware that people have been applying for and receiving CERB payments despite working during this period. There are also cases where Canadians receiving CERB have been rehired as a result of the Canada Emergency Wage Subsidy (CEWS). These people will have to pay back their emergency benefit payments to the CRA.

Come the next tax season, the CRA will check the eligibility of Canadians receiving CERB payments. The result will be that many Canadians might have to pay back the $2,000 per month in taxes next year.

Instead of trying to leverage CERB payments that you might not be eligible for, here are some ways you can keep earning passive income. If you hold these stocks in your Tax-Free Savings Account (TFSA), you will not even have to worry about paying taxes on that income.

Reliable dividend income from utilities

Even while the economy is in tatters, some industries continue to operate due to their essential nature. Utility companies operate in one such sector for the Canadian economy. No matter how bad the global health crisis becomes, people need their supply of electricity and natural gas.

Companies that provide these services need to continue operating, which means they will continue to generate revenue. Since many of its commercial customers will not be operating, there will be some impact on **Fortis Inc.** (TSX:FTS)(NYSE:FTS). Still, it can continue to make most of its income through residential earnings.

Fortis is a highly regulated utility company with 10 utility operations throughout North America. It has high-quality electric transmission operations in nine states. Transmission and distribution provides more than 90% of its predictable revenue.

According to the company, only around 18% of its income will be affected during the COVID-19 period. At writing, the stock is trading for $53.35 per share. It is down 8.77% from its March 2020 peak and offers a safe 3.58% dividend yield that its shareholders can leverage in their TFSAs.

High-yield energy stock

The energy sector took a serious beating due to the one-two punch from the oil crisis and the pandemic-fuelled lockdown and sell-off. However, with recovering oil prices, the industry is finding a footing again. Energy stocks like **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) seem to be on the path to recovery after the increase in oil prices.

Pembina is a pipeline company with a potentially healthy future ahead of it. The company relies for more than 90% of its income from contract fees, making it mostly immune to volatile shifts in commodity prices. However, the panic in the market due to a historical decline in oil price did not spare Pembina from the sell-off frenzy.

The stock fell in value by more than 60% with the onset of the lockdown, and I think it went into oversold territory. The recent market rally has seen Pembina's share prices climb 108.7% from its mid-March 2020 low. For $34.56 per share, it is paying shareholders a massive 7.29% dividend that you can lock into your TFSA.

Foolish takeaway

Instead of risking having to pay back CERB payouts to the CRA by taking them when you are not eligible, it would be best to focus on earning income you do not need to return. A TFSA portfolio with a diverse mixture of dividend-paying stocks can help you make a decent, tax-free, and reliable income. I think Fortis and Pembina could be excellent stocks to begin building such a portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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1. NYSE:FTS (Fortis Inc.)
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Author
adamothman