



CRA Update: This \$400 GSTC Payment Will Benefit 12 Million Canadians

Description

The COVID-19 pandemic continues to weigh heavily on the lives of the global populace. To combat the economic impact of the dreaded virus, the Government of Canada announced a slew of financial measures in the last few months.

The Canada Revenue Agency (CRA) deferred tax filing and tax payment deadlines. Further, rising unemployment rates have led to the extension of the CERB (Canada Emergency Response Benefit) for another eight weeks. The CRA has already disbursed over \$43 billion in CERB payments to Canadians.

How much has the CRA paid via the GSTC?

Another one-time special payment announced was via the [Goods and Services Tax Credit](#) (GSTC). This one-time payment doubles (for the majority of Canadians), the annual GST/HST credit amounts for the 2019-2020 benefit year (2018 tax year) and is being issued as part of the Government of Canada's response to the COVID-19 pandemic."

The average GSTC payment for individuals is \$400 and this figure rises to \$600 for couples. The GSTC payment is likely to help 12 million low-and-modest-income Canadian families, according to the CRA. The GSTC was disbursed to eligible Canadians in April via a direct deposit or a cheque payment.

The Federal government and the CRA have infused billions into the economy and helped Canadians tide over difficult times. However, it is not prudent to depend on these tax breaks and one-time payouts from the CRA.

The current situation has shown us the vulnerability of the global economic system. The importance of savings and creating an emergency nest egg can't be understated. Despite the recent weakness, investing in equities should be a top priority, as it has created massive wealth for long-term investors.

With interest rates at record lows, quality dividend-paying stocks continue to remain an ideal bet for income investors. Dividend stocks provide a steady stream of recurring income that can be reinvested

to benefit from the power of compounding. Alternatively, you can also use these payouts to pay for your vacation or your utility bills.

Dividend-paying ETFs diversify risks

It is extremely difficult to identify individual stocks in a volatile environment. Investors can instead look to allocate capital towards dividend-paying exchange-traded funds (ETFs) like the **iShares Canadian Select Dividend ETF** ([TSX:XDV](#)).

The stock market is swinging wildly, as most economies have taken a severe hit. The global lockdowns and business closures have resulted in a severe drop in consumer spending. The global GDP growth will be negative in 2020 and the economic slowdown is likely to impact equity markets, which makes passive investing a critical strategy right now.

ETFs have exposure to a basket of stocks across various sectors that ensures diversification of risk. The XDV [has exposure to](#) 30 of the country's highest-yielding companies. It pays a monthly income and has a forward yield of 6.8%.

This means if you invest \$50,000 in XDV, you can generate over \$3,400 in annual dividend income. The ETF is trading at \$20.84, which is 22% below its 52-week high.

This pullback provides long-term investors with an opportunity to increase wealth via capital appreciation as well.

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3. Investing

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1. TSX:XDV (iShares Canadian Select Dividend Index ETF)

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Author

araghunath

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