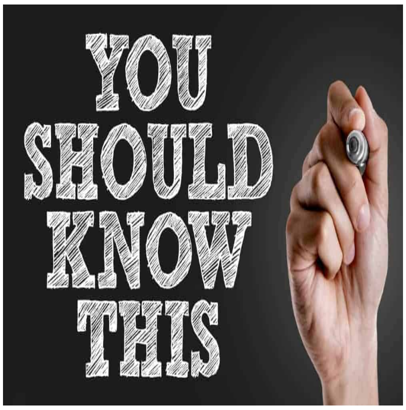

CRA COVID-19 Crisis Announcement: 2 Must-Know Tax Changes

Description

The coronavirus pandemic has caused major disruptions to individuals and businesses alike. The Canada Revenue Agency (CRA) and the Government of Canada have announced a slew of measures to help Canadians tide through these difficult times.

While millions of Canadians are facing hardships, they still need to pay their taxes for 2019. The CRA extended the tax-filing deadline to June 1, 2020, from April 30, 2020. Similarly, it also announced a penalty-free extension after August 31, 2020, to pay any taxes owed and payable on September 1, 2020.

The CERB is taxable by the CRA

The Canada Emergency Response Benefit (CERB) was launched to help Canadians impacted by the COVID-19 pandemic. The CRA will pay $500 a week for a 24-week period to Canadians who lost their jobs due to the pandemic.

However, Canadians should know that the CERB is taxable by the CRA. The amount of taxes you pay to the CRA depends on your total income for 2020.

Earn tax-free income by investing in the TFSA

While the CERB will attract CRA taxes, there *is* one way to generate tax-free income. You can look to allocate funds toward your Tax-Free Savings Account (TFSA). Any withdrawals from your TFSA (capital gains or dividends) are exempt from CRA taxes.

The TFSA contribution limit for 2020 is $6,000, while the cumulative contribution limit is $69,500. The TFSA is an ideal account for dividend growth stocks. Here we look at some of the top Canadian dividend stocks that are ideal for your TFSA, as they have the potential to increase wealth via dividend growth as well as capital appreciation.

In case you have the complete $69,500 contribution limit for your TFSA, you can easily diversify your portfolio and lower risk. Investors can consider utility stocks that are generally recession-proof with a low beta. Below are some of Canada's utility companies with their dividend yields.

- **Fortis**: 3.6%
- **AltaGas**: 6%
- **Canadian Utilities**: 5%
- **Emera**: 4.5%

For investors with a contrarian view, beaten-down energy pipeline stocks remain an attractive bet. These companies generally have a fee-based business model that ensures stable cash flows.

Below are three of Canada's top energy pipeline companies and their respective forward yields.

- **Enbridge**: 7.8%
- **TC Energy**: 5.6%
- **Pembina Pipeline**: 7.5%

Canada's banking giants have also had a bearish run in 2020. The country's rising unemployment rates might make investors sweat due to the risk of higher default rates. However, Canada's largest banks have survived multiple recessions and remain solid bets given the recent pullback. Below are Canada's Big Five banks with their dividend yields.

- **Royal Bank of Canada**: 4.7%
- **Toronto-Dominion Bank**: 5.2%
- **Bank of Nova Scotia**: 6.4%
- **Bank of Montreal**: 5.9%
- **Canadian Imperial Bank of Commerce**: 6.4%

The Foolish takeaway

The above companies are large-cap Canadian heavyweights with strong balance sheets. Investing in blue-chip companies is a solid strategy given their strong financials, huge market presence, and ability to grow dividends every year.

In case you divide your TFSA income equally among these stocks, you can generate close to $4,000 a year in annual tax-free dividend payments.

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Date
2025/09/28
Date Created
2020/07/04
Author
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