



## CRA Update: Two \$300 COVID-19 Tax Breaks

### Description

Eligible Canadian parents would have seen some extra cash in their bank accounts. The Canada Revenue Agency (CRA) paid an extra \$300 per child to individuals eligible for the Canada Child Benefit (CCB). These individuals received a one-time payment on May 20, 2020.

The CRA clarified that following this payment, the CCB will return to normal. The extra cash aims to help parents get through the ongoing pandemic that has wreaked havoc all over the world.

### Retirees eligible for OAS will receive \$300 from the CRA

The CRA will also pay [Canadian retirees eligible for the](#) Old Age Security (OAS) \$300. For seniors receiving the OAS and GIS (Guaranteed Income Supplement) this one-time payment increases by an additional \$200 or a total of \$500.

The CRA confirmed that it will pay \$500 each to you and your spouse if both individuals are eligible for the OAS and GIS pension plans. The one-time emergency benefit was disbursed to retirees in the last week and is targeted to help them cover increased costs arising due to the dreaded pandemic.

Canadians should note that unlike the [Canada Emergency Response Benefit](#) (CERB), the above-mentioned emergency payments are non-taxable. You will not have to report these payouts while filing tax returns for 2020.

### How to generate \$300 a month in tax-free dividends?

The OAS is the country's largest pension program. The maximum monthly OAS pension stands at \$613.53 which is not enough to lead a comfortable retired life. While the CRA has looked to ease the burden during these uncertain times, would-be retirees should focus on creating multiple revenue streams and a retirement nest egg.

You can make this monthly \$300 payment permanent by investing in the Tax-Free Savings Account

(TFSA). While TFSA contributions are not tax-deductible, any withdrawals in the form of dividends or capital gains are exempt from CRA taxes.

The TFSA contribution room for 2020 is \$6,000, while the cumulative contribution limit for this registered account is \$69,500. So, you can allocate this amount to dividend-paying stocks with a yield of over 5% to generate \$300 a month in recurring income.

A great option to consider right now are Canadian blue-chip companies in the banking sector. Canadian banks such as **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) managed to outperform peers during the financial crisis of 2008 due to strong fundamentals. In fact, BNS stock was trading at pre-crash prices within a year.

## BNS stock has a yield of 6.55%

Shares of Bank of Nova Scotia are trading at \$55 which is 28% below its 52-week high. The recent pullback in stock price has increased its dividend yield to a tasty 6.55%. BNS is the third-largest Canadian bank with a market cap of \$66.6 billion.

The ongoing pandemic has dragged Canadian banking stocks lower as investors are worried about rising default rates due to a spike in unemployment. Most Canadian banks also have huge exposure to the energy sector that has been grappling with low crude oil prices. However, BNS has a sizeable loan-loss provision and 50% of its portfolio is insured.

BNS stock has a forward price to earnings multiple of 10 and a price to sales multiple of 2. Its price-to-book ratio is also low at 1.05. The market weakness provides Canadians an opportunity to invest in a domestic giant at a low valuation and benefit from long-term capital gains.

If you invest in companies like Bank of Nova Scotia, you can easily generate about \$4,500 a year in dividend payments, given your TFSA contribution room of \$69,500.

### CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
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### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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