



CRA: Here's How Much You Could Owe on CERB Payments in 2021

Description

The Canada Emergency Response Benefit (CERB) has managed to keep millions of Canadians afloat during this unprecedented crisis. There are a few important things to remember about this new program going forward. First, I want to touch on eligibility.

The larger focus will be on how CERB recipients can prepare for their tax return in 2021. How much will you owe on your CERB payments next year? Let's dive in and find out.

CRA CERB: Why eligibility is so important

Earlier this month, I'd explained why it was so crucial for [CERB applicants](#) to make sure they met the eligibility criteria. Officials have warned that faulty information could lead to stiff penalties if they are discovered by the Canada Revenue Agency. In extreme cases, this could even lead to jail time.

Rather than having to worry about the worst-case scenario, applicants should spend some time on the CRA website to go through the criteria. However, when it comes to taxes owing, all CERB recipients are going to be in the same boat in the next tax year.

How much will you owe on payments in the next tax year?

The federal government announced in June that it would extend the CERB program for another eight weeks. Recipients should know that the CERB is fully taxable. On the CRA website, the government reminds applicants; "you will be expected to report it as income when you file your income tax for the 2020 tax year."

The CRA is not deducting any income from the \$2,000 monthly payments, which means it will be up to recipients to keep track of what they will owe next year.

As CERB payments are taxable as ordinary income, the amount of tax owed will depend on your total annual income. Canadians may find this calculation difficult in such a chaotic environment. One option

would be to combine your pre-pandemic income to your total CERB payments.

Some recipients in higher tax brackets may be required to pay back more than 50% of their total 2020 CERB payments. These are the kind of surprises Canadians will like to avoid in 2021. Now is a great time to start mapping out what you may owe after using this program.

Forget CERB: Two dividend stocks to help you build income for the rest of 2020

In late June, I'd discussed how Canadians could [build their own passive income stream](#). Better yet, if they choose to do this through a TFSA, they won't have to worry about kicking up anything to the CRA. Below are two of my favourite monthly dividend stocks to consider in the summer.

NorthWest Healthcare REIT is an open-ended real estate investment trust focused on healthcare properties. Its shares have climbed 14% in 2020 as of close on July 13. The stock last had a favourable price-to-earnings ratio of 11 and a price-to-book value of 1.2. It last paid out a monthly dividend of \$0.06667 per share. This represents a tasty 7.3% yield.

TransAlta Renewables is a promising stock focused on green energy generation. Shares are up 6.2% year over year. The stock offers a monthly dividend of \$0.07833 per share, representing a strong 6.6% yield.

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