Canada Revenue Agency: Get an Extra $400 Emergency GST Payment

Description

Depending on the part of the country you live in, you might either have to pay the Goods and Services Tax (GST) or the Harmonized Sales Tax (HST) on most items you purchase.

If you earn below a certain income, you might be eligible for a tax credit for the GST or HST you pay. Any financial respite you can avail is a blessing during these challenging times. Luckily for people who pay the GST, the federal government is granting an emergency $400 GST credit in 2020.

Those who are currently receiving the GST will receive almost double the amount with this one-time credit. If you qualify for it, you should leverage this GST credit and make the best use of it.

The progressive tax system

Canada has a progressive tax system that changes the tax due based on rising brackets. The idea is quite straightforward: if you earn more money, you can and should pay more taxes. With the GST credit, any low-income individual can regain some of the finances that they pay in sales tax.

The GST can apply to personal services, real estate, and even retail expenses. The GST is a rebate because the government reimburses low-income households. This credit does not account for the taxable income considered by the Canada Revenue Agency (CRA).

Are you eligible?

The GST credit for the 2019-2020 benefit year is part of Canada's COVID-19 Response Plan . Subsequently, there is additional relief for Canadians by the government. If you are already receiving the GST credit amount, you will receive the emergency benefits automatically.

You can apply for the GST if you have filed your 2018 tax return. You can receive the one-time credit of $400 or the amount based on the individual or family net income. The CRA will calculate the exact amount based on your tax return.

Using the GST Credit

Any financial respite counts during these times. However, you can use the $400 and turn it into an even more significant amount in the long run. As cash, the $400 may not amount to much if you simply set aside the amount. However, investing it in an income-generating asset like **Keyera Corp.** (TSX:KEY) could help you turn it into a more substantial amount.

At writing, the stock is trading for $20.25 per share and offers a juicy 9.48% dividend yield. Between the oil price crisis and the pandemic-induced sell-off, the pipeline company is trading 44% below its 52-week high. However, the company has not slashed its dividend payments like many other stocks.

In Q1, 2020, the company declared an adjusted EBITDA of $327 million and net earnings at $86 million. The company continued progress on its under-construction capital projects and expects to generate more substantial cash flow later in 2020.

The company has cut down its capital growth from the range of $700 million – $800 million down to a more modest $425 million – $525 million. The company expects to see demand pick up for oil in North America soon, which could have a positive short-term impact on the company's revenue.

Foolish takeaway

While the amount may not be substantial right now, you can invest the $400 you receive into a dividend-paying stock like Keyera with high dividend yields. You can see your investment grow substantially over time.

Reinvesting your returns from the dividends can help you unlock the power of compounding to make this tax credit mean something more than extra spending money.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:KEY (Keyera Corp.)

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