



## Collecting CERB? Here's How Much You May Have to Pay in Taxes to the CRA Next Year

### Description

One of the challenges for people receiving Canada Emergency Response Benefit (CERB) payments is knowing how much they'll have to pay in taxes. Since CERB is taxable, it's important you're careful not to spend every dollar of it. Unless your income is low enough and you've got enough in tax credits to offset any taxable income, odds are, you'll have to pay at least something.

And with the CERB now [extended](#) another two months, CERB recipients can collect as much as \$12,000 in taxable benefits. Let's take a look at how much that might cost you in taxes.

### Estimating your tax liability on CERB

If your total income comes in at \$48,535 or lower, you're still in the lowest tax bracket for federal taxes and would pay a tax rate of 15%. On \$12,000 in CERB payments, that would equate to a tax bill of \$1,800 — before any tax credits can reduce this total. That's also not taking into account provincial taxes, which can vary significantly.

In Ontario, for instance, the lowest tax bracket covers income up to \$44,740, and that's at a tax rate of 5.05%. Let's assume you're still in the lowest tax bracket here, in which case, that would be another \$606 in taxes to pay on your CERB payments. In total, that would be \$2,406 for a resident in Ontario, including both provincial and federal taxes, before factoring in tax credits.

If you're in Alberta, however, odds are that you're going to be paying a rate of 10%, which is the lowest tax rate in that province and covers income up to \$131,220. That would mean the provincial part of your tax payment in Alberta on the CERB would be \$1,200 and the combined total would then be \$3,000.

These, unfortunately, aren't cut-and-dry figures, since tax credits will play a role as will your overall tax bracket. But if you've been out of work for six months and collecting CERB, odds are that you'll be in one of the lower tax brackets for this year.

If you add the federal rate of 15% along with your province's lowest tax rate, then you'll get a good idea of how much you may want to set aside for taxes.

What you can also do is try and use the current year's tax software and plug in numbers for what you expect to make this year, including the CERB, as income that you didn't have taxes deducted on. That can get you a more accurate picture of how much tax you may owe, even if it's not based on the correct tax year.

## Make the most of your TFSA to minimize taxes

If you want to avoid how much you pay in taxes while making additional income, now's a good time to consider putting some good dividend stocks in your Tax-Free Savings Account (TFSA). Inside of a TFSA, you can earn tax-free [dividend income](#) that can give your income a boost, and you won't have to worry about paying taxes on it.

And if you're not sure what to invest in, consider an exchange-traded fund (ETF). **BMO Equal Weight REITs Index ETF** ([TSX:ZRE](#)) can give you a great mix of some of the top real estate investment trusts (REITs) on the TSX. What's appealing about REITs is that they just collect rent and have to pay out dividends to their shareholders. The BMO Equal Weight REITs can provide you with some valuable diversification across industrial REITs, shopping centre REITs, and many others. Investing in real estate has generally been a great idea over the years so it's hard not to like going with a broad ETF like the BMO Equal Weight REIT that will have you covered on many angles.

The fund currently pays a dividend yield of around 5.5%. With the markets down this year, the average holding in the ETF is at a price-to-earnings multiple of less than seven, making the ETF a good value investment as well.

The ETF's down 20% this year due to concerns related to the economy but over the long term, it's a solid buy and likely to recover.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:ZRE (BMO Equal Weight REITs Index ETF)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin

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