



CRA Update: 3 Huge Changes Coming Before 2021

Description

This year has been a history-making one for the Canada Revenue Agency (CRA). The federal government launched several revolutionary programs through the CRA that were designed to provide financial relief in a time of crisis. Indeed, the COVID-19 pandemic has claimed thousands of lives, triggered an unprecedented economic slump, and forced millions of Canadians out of work.

These developments have not gone unnoticed. Recent reports suggest that policymakers are mulling over big changes ahead of 2021. Today, I want to look at what some of these new initiatives may look like before they are officially unveiled.

The CRA has its work cut out for it in 2021

Earlier this week, I'd discussed how much CERB recipients could [owe the CRA](#) in the next tax year. This year demonstrated that the federal government was willing to take steps to provide relief on the tax front for citizens. Tax deadlines and payment schedules were pushed back in order to accommodate a stunned-out and stressed populace.

Those who have breached eligibility criteria in applying for the CERB could also face stiffer penalties in the next tax year. The CRA will have millions of files to sort through meticulously when it comes to the CERB program. Suffice it to say, this will be a multi-year effort. Depending on what is uncovered, we could see more changes to the tax system in 2021.

A CERB replacement?

Justin Trudeau and the ruling Liberals announced that the CERB would be extended an additional eight weeks in the middle of June. Regardless, many are still worried about what impact the end of the CRA program will have. Millions of Canadians are out of work, and the CERB has acted as an invaluable financial life preserver. Over one in five Canadians were on CERB in the beginning of this summer.

In order to prevent a potential catastrophe, many have suggested a permanent payment. This would take the form of a guaranteed income, likely also powered through the CRA. Recent surveys indicate that many Canadians would support an indefinite guaranteed income supplement for those most in need.

CRA: Changes to existing programs

Instead of a guaranteed income, CERB users may simply be integrated into a tweaked form of Employment Insurance (EI). Programs like EI and other subsidies may be due for an update, especially if this economic crisis proves to be long lasting. Indeed, EI and other social programs attracted criticism before the introduction of the CERB. The Canadian Senate's national finance committee has said that the CERB misses those who lived in poverty before the pandemic.

Instead of CERB, generate income in a TFSA

Instead of fretting over possible changes from the CRA, Canadians should look to construct passive income of their own. On July 15, I'd discussed how [CERB users could generate income](#) after its expiry. One way is to invest in monthly dividend stocks, ideally through your TFSA to avoid paying taxes on your income.

Pembina Pipeline provides transportation and midstream services for the energy sector in North America. Its shares have dropped 27% in 2020 as of close on July 16. The stock last had a favourable price-to-earnings ratio of 12. Better yet, Pembina offers a monthly dividend of \$0.21 per share. This represents a tasty 7.4% yield.

Extendicare provides care and services for seniors in Canada. Its stock has dropped 29% so far this year. Shares last had a favourable P/E ratio of 15. Extendicare offers a monthly dividend of \$0.04 per share, representing a monster 8.4% yield.

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Date

2025/09/10

Date Created

2020/07/18

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