Warning: The CRA Can Take Away Your Extended CERB Payments

Description

In July, the Canada Revenue Agency (CRA) extended the Canada Emergency Response Benefit (CERB) by another eight weeks to September. It extended the CERB as the restart of the economy was uneven across the country and sectors, and many Canadians were still out of work. However, it raised the eligibility criteria to get the $2,000 per month in CERB payments between July and September.

Are you eligible for the extended CERB?

The previous eligibility criteria apply for the extended CERB payments. So, if you have received CERB between March and June, and there is no change in your income or employment status, you can continue to get the extended CERB.

However, the CRA needs an assurance that you are actively seeking a job, or that your previous employer has not called you back to work. The CRA added this condition after some employers reported that their employees refused to return to work because the pay was lower than the CERB payment.

The CRA will compare employers' payroll records with CERB claimants' applications to ensure that Canadians are not receiving CERB even after they returned to work.

The CRA will pay you retroactive CERB payments if you are eligible

A Canadian can get CERB payments for a maximum of 24 weeks falling between March 15 and October 3 benefit period. This equates to a maximum amount of $12,000. If you have hit the period limit or the amount limit, you will no longer receive CERB payments.

In the opposite scenario, where you were eligible for the CERB during the benefit period and did not claim it, you can apply before December 2 and get retroactive payments. These CERB payments will be added to your taxable income.

Make the best of your CERB payments

The $2,000 CERB payment has come as a saviour for many Canadians. If you manage to save around $400-$500 from the CERB payment, you can increase your benefits. Invest this $500 in a high-dividend stock through your Tax-Free Savings Account (TFSA) and earn a tax-free dividend income.

A good-quality dividend stock is the one that has a history of paying stable dividends and growing them at regular intervals. One such quality stock is **Enbridge** (TSX:ENB)(NYSE:ENB).

Enbridge

Enbridge is North America's largest pipeline operator. It also operates gas storage, renewable power generation, and energy services business. Building pipelines is expensive, time-consuming, and regulatory cumbersome. But once the infrastructure is in place, it is the best and the cheapest way to transport oil and natural gas.

As the pipeline business has high entry barriers, there is limited competition. All fossil fuel companies that want to distribute their output have to rely on Enbridge's pipeline. This gives the pipeline operator intense pricing power. The company earns money from long-term contracts that are volume based. Hence, the stock price rises when energy demand and prices rise.

Enbridge earns 95% of its cash flows from its pipelines. The company returns these cash flows to shareholders in the form of dividends. It has a 25-year history of paying dividends and increasing it at a CAGR of 11%. It increased its dividend per share by 9.8% this year.

Investors' takeaway

Enbridge stock fell 20% year to date as the global lockdown reduced oil demand and, therefore, oil supply. As the economy recovers and oil demand rises, the stock will return to its normal trading price of over $51, representing an upside of 23%. In the meantime, the company has increased its liquidity position to $13.2 billion. This money will help it fund its future projects and dividend payments.

Enbridge's reduced stock price has inflated its dividend yield to 7.7%, up from its average dividend yield of 5%. The company could increase its dividend per share at a CAGR of 5%-8%.

If you invest $500 from your CERB payments in Enbridge, it can become $840 in five years, $225 in dividend income, and $115 in capital appreciation.

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