

Canada Revenue Agency: Are You Eligible for the Emergency \$400 GST Payment?

Description

The Canadian government is trying its best to revive the domestic economy by pumping in money to increase consumer demand. Millions of Canadians have been impacted by the ongoing COVID-19 pandemic and the resultant spike in unemployment rates. The Canada Revenue Agency (CRA) has disbursed billions of dollars in federal benefits to Canadians.

Another such benefit is the GST/HST tax credit. If you pay Goods and Services Tax (GST) or the Harmonized Sales Tax (HST) to the CRA, you might be eligible for a tax credit on these payments. The Canadian government will give you an emergency \$400 GST credit in 2020.

In order to be eligible for the tax credit, you need to be a Canadian resident over the age of 19. Further, your annual adjusted family net income should be lower than \$48,000. You will get this retroactive benefit payout if you have filed your 2018 taxes with the Canada Revenue Agency.

Canada Revenue Agency established the GST credit in 1991

The CRA established the GST credit in 1991 as a way to help low- and middle-income families who pay a larger portion of after-tax income on buying goods and services that are taxable compared to higher-income families. The Canada Revenue Agency aims to balance this income gap by the GST/HST refund.

The GST credit depends on a number of factors that include family income, marital status, and family size. For example, if you are a family of three with an adjusted net income of \$38,000 or lower, you are eligible for a GST credit of \$747. This also means you will get an extra \$747 from the Canada Revenue Agency for the June 2019-20 benefit period to help you tide through these uncertain times.

The COVID-19 pandemic has wreaked havoc among Canadians and several are strapped for cash. The health crisis has put the focus back on the need to ensure prudent financial management.

Generate \$750 in annual tax-free income by investing in dividend stocks

While the Canada Revenue Agency is providing financial assistance in these turbulent times, you also need to take hold of your finances and ensure a recurring income stream. You can do this by holding capital investments under the Tax-Free Savings Account (TFSA).

Any withdrawals from the TFSA in the form of capital gains or dividends are exempt from Canada Revenue Agency taxes. So, it makes perfect sense to allocate dividend stocks to this registered account.

You need to create a portfolio of quality dividend stocks and ensure a stable stream of recurring income. You can take a look at the below list of blue-chip Canadian stocks with their respective dividend yields for your TFSA.

• Royal Bank of Canada: 4.7% • Toronto-Dominion Bank: 5.3%

relus: 5.1%
Canadian Utilities: 5.1%
Fortis: 3.6% The above-mentioned companies are Canadian heavyweights that have survived multiple recessions. They have enough liquidity to survive the ongoing downturn and have solid balance sheets to keep increasing dividend payments.

The cumulative contribution room for the TFSA stands at \$69,500 and you need to invest about \$14,000 distributed equally in the above stocks to generate \$750 in annual tax-free dividends.

If these companies increase dividends at an annual rate of 6% per year, your annual dividend payments will increase to \$2,270 over the course of two decades.

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