CRA Cash: 2 Benefits You Can Get After the CERB Is Gone!

Description

The CERB is winding down, but that doesn't mean you can't keep getting cash from the government.

In response to the COVID-19 pandemic, Justin Trudeau rolled out a number of benefits aimed at various groups. The CERB was merely the most publicized of these. In addition to the CERB, there was the CESB for students, the CEWS for employers, and even a grant worth up to $5,000 to student volunteers. While many of these programs are being phased out just like the CERB, some of them will remain. Additionally, most can be received retroactively.

With that in mind, here are two CRA benefits you can receive after the CERB is gone.

Expanded EI

If you're a working age Canadian, you're probably familiar with EI. It was the main unemployment benefit available before the CERB was brought in. The way it works is that you and your employer pay into a pool of premiums, which you can draw on if you get laid off.

Now, you might be saying, "yes, I know all about EI; the problem is that all my benefits ran out and/or I don't qualify for it!"

Fear not!

In a recent statement, Justin Trudeau said that he would be revamping the EI program to include more Canadians. While details on the program are scant, he did say that former CERB recipients would be eligible. That means that if you're a gig worker or otherwise not EI-eligible, you may still qualify for this transitional benefit.

GST/GST credits

GST/HST credits are a long-standing benefit for low-income Canadians. In 2020, they were expanded to include a one-time payment that approximately doubles their value. If you'd normally get $443, you'll get $886 this year. The one-time payout was mailed out in April, but it's available retroactively. So, if you still haven't filed your 2018 taxes, make sure you do so soon! You may be surprised to find a $443 cheque landing in your bank account, straight from the CRA!

A "benefit" for higher-income Canadians

So far, all of the benefits mentioned have been for low-income or unemployed Canadians. If you're one of the lucky few who's thriving during COVID-19, you may feel left out. However, that's not entirely true. If you're still earning a solid income in 2020, you can get the "benefit" of tax-free compounding and withdrawals in a TFSA.

Now, you might think it's a bit of a stretch to compare tax-free growth to a direct government payout. But in fact, the net effects are the same.

To illustrate this, let's consider an investor holding $50,000 worth of **Fortis** (TSX:FTS)(NYSE:FTS) shares in a TFSA. Let's also say that the investor had a marginal tax rate of 30%.

If this investor received $1,750 worth of dividends in 2020 and cashed out a 10% gain, they would not pay a single penny in taxes on this $6,750 gain — that is, on the $5,000 capital gain plus the $1,750 in dividend payouts.

How much money would that save them?

Potentially, quite a bit. First, outside a TFSA, half of the capital gain ($2,500) would be taxed at 30%. That's a $750 tax right there. Second, because Fortis pays eligible dividends, they'd be grossed up 38%, then have a 15% tax credit slashed off. The dividend tax credit saves some money, but we're still looking at several hundred dollars in dividend taxes. So, we've got about a $1,000 tax here on what is ultimately a pretty modest total return.

By holding shares like Fortis in a TFSA, you avoid all that tax. In the long run, that's just as good as a $1,000 government benefit, as it's an extra $1,000 you can keep. Maybe it's not as psychologically gratifying as a cheque in the mail, but it's every bit as valuable.

CATEGORY

1. Coronavirus
2. Dividend Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks

Tags

1. Editor's Choice

Date
2025/09/04
Date Created
2020/08/11
Author
andrewbutton