Canada Revenue Agency: Did the CRA Pay You $400 In Emergency GST Credit?

Description

The Canada Revenue Agency (CRA) has provided several benefits to Canadians amid the COVID-19 pandemic. Millions of residents were rendered jobless as the pandemic led to business shutdowns. Lower consumer spending and a tepid demand environment resulted in a massive spike in unemployment rates.

The Canada Revenue Agency and the federal government announced a slew of financial benefits designed to help residents during these challenging times. One such response benefit was the Goods and Services and Harmonized sales tax (GST/HST) tax credit.

The GST/HST credit is a tax-free quarterly payment that helps individuals and families with low and modest incomes offset the GST or HST they pay.

The GST/HST credit was established in 1991 as lower- and middle-income families pay a larger portion of their income toward indirect taxes compared to higher-income families. The total tax credit you receive depends on your family income, family size, and marital status.

The CRA credited an extra $400 to several people in April 2020 under the GST/HST tax credit. The additional tax credit would have increased by $580 for married couples. In order to have received the retroactive payment from the Canada Revenue Agency, your annual adjusted family net income should be below $48,000. Further, you need to be above the age of 19 and a Canadian resident.

How to generate $400 a year without paying taxes to the CRA?

While the GST/HST retroactive payment was a welcome surprise for several Canadian families, there is another way to generate $400 a year in tax-free income. This can be done by holding quality dividend stocks in your Tax-Free Savings Account (TFSA).

The TFSA is a tax-sheltered registered account where any withdrawals in the form of interest, capital gains, or dividends are exempt from CRA taxes. This makes the TFSA an ideal account to hold dividend stocks such as **Canadian Utilities** (TSX:CU).

Canadian Utilities is a diversified energy infrastructure company and provides essential services in the utilities and energy infrastructure space. The stock is trading at $32.5 indicating a forward yield of 5.4%.

Canadian Utilities generates 95% of sales from regulated utilities and the rest is from contracted assets. It has over $20 billion in assets with 64,000 km in pipelines and 75,000 km in powerlines. The company's rate-regulated business ensures low volatility and stable cash flows making its dividend relatively safe.

So, in order to generate $400 in dividend payments, you need to invest $7,500 in this Canadian giant. The company is a Dividend Aristocrat and increased dividends every year since 1972, thereby generating massive wealth for long-term shareholders.

In case Canadian Utilities continues to increase dividend payments at an annual rate of 5%, you can generate annual dividends of $1,000 at the end of two decades after accounting for dividend reinvestments. Further, investors will also benefit from capital appreciation over the long-term.

The Foolish takeaway

You need to have multiple income streams as we have seen how fickle the economy can be. Canadian Utilities is just an example of a quality stock and you can identify similar companies to create a diversified portfolio of Dividend Aristocrats.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CU (Canadian Utilities Limited)

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