



CRA: 3 Things You Should Know Before You Apply for the \$1,000 CRB

Description

The Canada Recovery Benefit (CRB) is now live, and Canadians are [applying for the benefit](#) on the Canada Revenue Agency (CRA) website. The CRB is an alternative to the Canada Emergency Response Benefit (CERB) for those who don't have an Employment Insurance (EI). The CRA will give \$1,000 before tax in CRB payments after every two weeks to those whose applications are accepted.

But before you apply, you should know three things about the benefit that will impact your future finances.

Three things you should know about the CRB

The Justin Trudeau government has introduced the CRB to help unemployed or underemployed Canadians pay for their daily needs. But depending on the government's cash benefits is not a permanent solution. The benefits are temporary, and the CRA can take them back in three ways.

The CRA cash benefits are taxable

Both the CRB and CERB are taxable. If you have been living off these benefits since March 15, \$19,400 (\$14,000 from CERB and \$5,400 from three months CRB) will be added to your taxable income when you file your returns in March 2020.

The CRA deducts \$12,069 as a minimum basic personal amount from your taxable income and also offers [other tax breaks](#). If you don't qualify for other tax breaks, the CRA cash benefits will foot you a federal tax of \$1,100. Also, there would be a provincial tax.

The annual income limit

Taxes are an indirect way of taking back the cash benefit. But there are some direct ways the CRA will take back the CRB. If your 2020 taxable income after excluding CRB payments is \$38,000, the CRA

will take back your benefit at the rate of \$0.5 for every extra dollar earned. This \$38,000 amount includes your CERB and other COVID-19 benefits like the Canada Recovery Sickness Benefit (CRSB) and Canada Recovery Caregiving Benefit (CRCB).

For instance, your 2020 taxable income is \$48,000, and you received \$5,400 in CRB payments, the CRA will consider your annual income as \$42,600. As you earned \$4,600 above the \$38,000 limit, the CRA will take back \$2,300 in CRB payment when you file your returns.

The CRB penalty

The CRA has introduced a penalty in CRB after CERB disincentivized people from returning to work. Under the CRB, it will cut back the benefit term by 10 weeks if you reject reasonable work. Also, it will block your application window for 10 weeks, which means you can't get CRB for two-and-a-half months.

Passive income is better than the CRB

The government cash benefits are like a bonus, which you may or may not get. Instead of relying on CRB, you can create your personal benefits pool in your Tax-Free Savings Account (TFSA). Whether you work or not, your money will work for you. If you have never contributed to your TFSA, you can contribute up to \$69,500. The pandemic has created an opportunity to lock in dividend yields above 8% for less than \$40 a share and earn CRB-like income.

Canada's largest retail REIT **SmartCentres's** ([TSX:SRU.UN](#)) stock dipped 35% to \$20.6, as the pandemic hurt the retail industry. Investors feared that retailers would vacate their shops and default the rent. This will impact SmartCentres's cash flow, and it will cut dividends. But nothing like this happened. It continued to pay dividends, thereby increasing its dividend yields to 8.9%. Although the default risk remains, its strong balance sheet and exposure to large retailers will keep dividends coming.

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock has slumped 30% to \$39 as the sudden dip in oil demand brought a halt to oil supply. Enbridge has the largest pipeline infrastructure in North America, through which it transmits oil and natural gas. Its exposure to natural gas mitigated the impact of the oil crisis and safeguarded its cash flows to pay regular dividends. Hence, its dividend yield has surged to 8.3%.

If you divide your \$69,500 equally among the two stocks, they will earn you \$500 in monthly passive income.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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