



CRA: 3 Ways CERB and CRB Can Impact Your Finances

Description

The Canada Revenue Agency (CRA) is pretty busy in the COVID-19 pandemic, implementing the emergency benefits that the Justin Trudeau government announced. This is the first time the government is distributing generous cash benefits to the public at large. The CRA implemented the Canada Emergency Response Benefit (CERB) in April just weeks after the pandemic struck. It extended the three-month benefit to seven months. When the government saw that Canadians need more time to return to work, it launched the Canada Recovery Benefit (CRB).

These cash benefits will impact the finances of Canadians in three ways.

CERB and CRB will help you get back to work

The CERB paid \$2,000 for four weeks for a maximum of 28 weeks. This means a Canadian could get a maximum of \$14,000 in CERB. This benefit increased Canada's [household disposable income](#) by 10.8% in the second quarter. The CRA paid the benefit to over 8.6 million Canadians, of which four million returned to work.

For the remaining 4.5 million Canadians, the government has launched the CRB and Employment Insurance (EI). It has also launched [sickness and caregiving benefits](#) for those who are employed but need to be quarantined or care for a sick family member.

The CRB will pay \$1,000 every two weeks, which equates to \$2,000 a month, same as CERB, but the new benefit will deduct a 10% tax at source. This means you will get \$900 in your account every time you apply and your application is accepted. A Canadian can get a maximum of \$13,000 CRB before tax (\$11,700 after tax) in 26 weeks. You can claim CRB, even if you are working but got a 50% pay cut, thereby encouraging you to return to work.

CERB and CRB will reflect in 2020's tax returns

If you think of the benefits payments as free money, think again. The CRA is paying out these benefits

from taxpayers' money. Both the CERB and CRB will add to your 2020 taxable income.

And if the CRA comes to know that you got the benefits even though you were not eligible, it may take it back. For instance, the CRA may ask you to repay the CERB if you got the payment for a period when you earned over \$1,000 in 14 consecutive days.

In the case of CRB, the CRA will take back a portion of your CRB money if your annual income, after excluding CRB, exceeds \$38,000. This amount includes the \$14,000 in CERB payments and any other COVID-19 cash benefits like Canada Recovery Sickness Benefit (CRSB). If you earned \$44,000 in 2020, the CRA will take back \$3,000 in CRB payments (\$6,000*50%) or the maximum CRB you received till December 31, whichever is higher. So, if you got \$2,000 CRB in 2020, the CRA will take back your entire CRB amount when you file your 2020 tax returns.

When you file your returns, you will pay personal income tax on the benefits payments (as it adds up to your taxable income), plus any repayment of benefits.

CERB and CRB can be your stepping stone to building passive income

Lastly, the CERB and CRB put more cash in the hands of individuals. And these individuals put some of this money in the stock market. The link between the benefits payments and the stock market rally is visible.

The **TSX Composite Index** rallied 30% between April 1 and September 2 on the back of CERB-infused liquidity.

Then the index fell 5.3% between September 2 and 23 as the CERB was ending and new benefits were uncertain. But the index rallied 4.7% when the government announced the CRB on September 24-October 9. The index fell 1.7% when CRB payments were delayed from October 12 to 22.

If you invested \$400 from your first CERB payment in **Lightspeed POS** or **Cargojet**, you would now have \$850 or slightly over \$750, respectively.

Investor corner

The CRB delays have corrected the market rally. This is the earnings season, and Lightspeed and Cargojet would do well in the third quarter. It is still not too late to buy these stocks before they rally on the back of CRB-induced liquidity.

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