



3 Things to Know About the \$500/Week CRA CRB Before You Apply

Description

The Canada Revenue Agency (CRA) did not announce another extension to the Canada Emergency Response Benefit (CERB). The \$500-per-week benefit program ended on September 27, 2020.

The CRB is an alternative for Canadians who do not qualify for Employment Insurance (EI) benefits. The [CRA will provide \\$500-per-week](#) payments through CRB to those whose applications are accepted. However, there are a few things you should know about the CRB before you apply for the fund.

Three things you should know about the \$500/week CRB

The CRB is a temporary benefit, and it has certain aspects you should consider before you apply for the fund.

The CRB is a taxable benefit

Like the CERB, CRB is also [a taxable benefit](#). If you received CERB money from the CRA, you might already know that the amount will count as part of your taxable income for the 2020 income year. You will have to pay taxes on the CERB money you've received when you file for the next tax season.

The CRB is also taxable, but the CRA will distribute the payments after deducting the taxes. The CRA will not pay applicants the full \$1,000 for two weeks. It will pay \$900 for the two-week eligibility periods after deducting the 10% withholding tax on the benefit.

There's an annual income limit on CRB

You can qualify for CRB, even if you earn more than \$1,000 per month. Earning this much would disqualify you from CERB eligibility. However, you should know that CRB eligibility does come with an annual income limit.

If your 2020 taxable income, after excluding the CRB money, is more than \$38,000, the CRA will take back \$0.5 for each additional dollar you earned above the annual income limit.

There is a CRB penalty

CERB effectively discouraged Canadians from returning to work. Many Canadians ended up rejecting reasonable work opportunities, because CERB would pay them more for sitting at home.

The CRB comes with a penalty for people who choose to do the same. The CRA will cut back the CRB benefit term by 10 weeks if you reject a reasonable income source. Additionally, CRA will block your application window for 10 weeks. You can essentially be unable to get CRB money for two-and-a-half months for not returning to work if you can.

Create your own passive income

The government benefits are lifesavers for people who cannot find work. However, they come with multiple hoops you need to jump through to qualify for the payments. The benefits are also temporary and subject to being taken back by the CRA.

Instead of relying on CRB, you can create your own passive income using your Tax-Free Savings Account (TFSA). Using cash savings you already have, you can use your TFSA as a passive-income vehicle. The method is relatively simple. You need to create a portfolio of dividend-paying stocks like **Rogers Sugar** ([TSX:RSI](#)) and store them in your TFSA.

RSI is a consumer-defensive stock that could make an excellent foundation for building a dividend-income TFSA portfolio. The company has a \$528.04 million market capitalization, and it has been around for more than two decades. The company refines, packages, and markets sugar and maple products.

While it is a slow-growth business, RSI provides a staple product. It means that the company has stable operations. Low competition in the market also gives it a better chance of generating continuous income, despite market conditions.

Foolish takeaway

Creating your own passive income is better than relying on government benefits. A stock like RSI in your TFSA can help you earn significant tax-free income through dividends. The stock is trading for \$5.10 per share at writing, and it provides a juicy 7.06% dividend yield at writing.

I think it is an excellent way to begin building a TFSA dividend income portfolio to replace government benefits.

CATEGORY

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TICKERS GLOBAL

1. TSX:RSI (Rogers Sugar Inc.)

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1. Business Insider
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