



WARNING: Canada Revenue Agency Will Tax the New \$13,000 CRA CRB!

Description

The Canada Revenue Agency (CRA) has been accepting applications for the new taxable benefit since October 12, 2020. The Canada Recovery Benefit (CRB) is one of three new programs introduced to pick up where the Canada Emergency Response (CERB) left off at the end of September 2020.

Displaced workers and self-employed individuals with [financial constraints due to COVID-19](#) but do not qualify for Employment Insurance (EI) will again have a pandemic lifeline for up to 26 weeks. The CRA has the task of distributing CRB covering the period from September 27, 2020, to September 25, 2021.

CRB is subject to 10% tax

The benefit amount is the same as CERB (\$500 per week), although the CRA will withhold the tax due from CRB. This time, the tax agency will follow the tax treatment in employment income where taxes are deducted before payment to recipients.

Canadians who meet CRB's eligibility requirements could receive \$1,000, less 10% tax, or a net amount of \$900 for a two-week period. If you go the full route, the total gross CRB is \$13,000, while the total net amount is \$11,700. Unlike CERB, you won't need to set aside money for the tax payment in 2021.

Tax reminder for 2021

The CRA reminds CRB recipients that the 10% tax withheld at source may not be all the tax you need to pay in 2021. Take note that the same guidance applies to the two other emergency benefits. When you complete your personal income tax return, the tax due will depend on how much income you earned in 2020.

Canadians receiving CRB may also earn employment or self-employment income. However, you will have to reimburse \$0.50 of the CRB for every dollar of net income above \$38,000 earned in the calendar year.

Whether it's the CRB, Canada Recovery Sickness Benefit (CRSB) and Canada Recovery Caregiving Benefit (CRCB), you must include the taxable benefits as income for this year when you file the 2020 tax return next year.

Earn tax-free income

The 2020 pandemic should induce Canadians with the financial flexibility to make the most of a Tax-Free Savings Account (TFSA) to [earn tax-free income](#). Dividend all-star **Keyera** ([TSX:KEY](#)) pays a fantastic 9.25% dividend. An investment of \$6,000, which is the maximum TFSA contribution in 2020, will produce \$555 in tax-free income.

The timing to take a position in the energy stock is perfect. Keyera's Pipestone gas plant is now operational and has opened five months in advance of its original schedule. The natural gas processing and liquids stabilization plant is a joint venture with **Ovintiv** (formerly Encana). It will support the condensate-focused Pipestone Montney development.

With Pipestone's startup, Keyera's infrastructure in the Western Canada Sedimentary Basin now has a daily gas processing capacity of 950 million cubic feet. The company plans to connect this capacity to its KAPS natural gas liquids and condensate pipeline. The service should commence by 2023.

For non-EI qualifiers

Don't despair if you can't transition to the EI system after CERB. The CRA CRB is the income support for employed and self-employed individuals who are directly affected by COVID-19. You can receive up to \$13,000 in 26 weeks.

CATEGORY

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