Warning! 3 Ways the CRA Can Take Away Your $1,800/Month CRB Payments

Description

The Canada Revenue Agency (CRA) continues to pay out federal benefits to millions of Canadians impacted by the pandemic. The country's unemployment rates are still hovering around 10% which is twice as high compared to the pre-COVID-19 era.

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The CRA first paid over $80 billion via the CERB (Canada Emergency Response Benefit) to Canadians. Now, it is paying $1,800/month under a revised program called the Canada Recovery Benefit (CRB). The CRB will be paid for a period of 26 weeks or six months. However, the CRA can clawback your CRB if you are deemed ineligible. Let's take a look at the three ways the CRA can take back the CRB.

Are you eligible for the CRB payout?

You are eligible for the CRB if you are unable to find work or are earning less than 50% of your average weekly income due to the pandemic. Now, if you are working and are also claiming the CRB you need to make sure total income is less than $38,000.

In case you earn over the minimum threshold of $38,000 (excluding CRB), the CRA will levy a tax at the rate of $0.5 for every dollar of surplus income.

In order to keep receiving the CRB, you also need to be actively looking out for a job. The CRA will impose a penalty for CRB recipients who are refusing to get back to work. It may withdraw up to 20 weeks of benefit payments and may also suspend you from applying for the same for a period of 10 weeks.

The CRA is also deducting tax at source for these payouts. You will receive $900 for every two-week period which means the tax deducted at source amounts to 10%. Further, the CRB will be added to your net annual income for 2020 and you will have to pay taxes once again depending on your tax bracket.

Earnings under a TFSA are exempt from CRA taxes

In case you are fortunate enough to be working amid the COVID-19 chaos you need to invest a portion of savings under a TFSA (Tax-Free Savings Account). A TFSA can be leveraged to create a passive income stream by holding quality dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB).

The CRA will not tax any withdrawals from your TFSA which means you can generate capital gains or dividend income in this registered account. Enbridge is a Dividend Aristocrat and has managed to increase dividends for 25 consecutive years.

In fact, the Canadian energy infrastructure giant has increased dividends at an enviable rate of 11% since 1995 making it one of the top dividend stocks on the TSX. The company expects to increase payouts at an annual rate of 5% to 7% in the upcoming years as well.

It has an investment-grade balance sheet and expects to maintain a payout ratio of below 65%, giving it enough flexibility to reinvest in expansion projects which will bring in future cash flows.

Enbridge is also investing in renewable energy sources and has constructed several offshore wind farms in Europe. ENB stock has a forward yield of 8.9% which means a $10,000 investment will generate $890 in annual dividend payments.

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