$2,000 Crisis CRA CRB Money: Beware of the Taxes!

Description

The Canada Revenue Agency (CRA) immediately went to work when COVID-19 descended in Canada. Its first proactive action was to move the tax filing and tax payment deadlines. However, putting money into households was a more pressing concern.

In anticipation of jobs and income losses, the federal government introduced the Canada Emergency Response Benefit (CERB). The CRA was paying $2,000 crisis money to people who stopped working due to the pandemic. CERB is a taxable benefit, but recipients were getting the gross amount or cash before taxes.

In October 2020, CERB payments are over, and the CRA started receiving applications for the Canada Recovery Benefit (CRB) on the 12th of the month. Like CERB, the new income support has tax implications. Recipients must be aware that proceeds are subject to a 10% tax, which the CRA will deduct upfront this time.

Brief CRB overview

CRB closely resembles CERB, if not a direct replacement of it. About four million Canadians are still jobless after September 2020 and transitioning to a more flexible Employment Insurance (EI) system. The new CRB is for employed and self-employed individuals who will not meet the eligibility criteria of EI.

There are 13 eligibility periods or 26 weeks total, beginning from September 27, 2020, to September 25, 2021. The difference with CERB is the payment scheme. The CRA will release the payments bi-weekly, and you must re-apply every two weeks if you still meet the eligibility requirements. You can apply online or by phone.

Tax bill of CRB recipients

Every time you apply for CRB, the CRA will automatically deduct a 10% tax. Thus, each payment every two weeks is $900. Regarding the filing of tax returns next year, you might pay more or fewer taxes, depending on your annual income in 2020.

CRB has one salient feature. You can receive the benefit while earning income, provided you're experiencing a reduction of at least 50% in employment or self-employment income. The CRA also suggests setting up a direct deposit for faster receipt of the benefit.

Earn outside of CRB

Canadians with excess savings or free cash are getting the hang of creating a passive income stream. You can do the same by purchasing dividend stocks. **Transcontinental** (TSX:TCL.A), the leading printer and flexible packaging company in North America, is a compelling choice because of its 5.7% dividend offer.

The industrial stock trades at $16.31 per share, and you could start with a small capital. A $20,000 initial position will generate $1,140 in passive income. The dividends should be sustainable as Transcontinental keeps the payout ratio at less than 45%.

This $1.42 billion company has successfully created a perfect synergy, with packaging contributing 53% of total revenues and 44% from printing. Its non-advertising based specialty media offering for business, finance, and construction sectors contribute 3%.

Transcontinental is displaying resiliency on the stock market, even outperforming the index year-to-date (+6% versus -8.01%). Expect the company to capitalize on business opportunities in the post-pandemic era to drive organic growth.

Tax reckoning

The 2021 tax season is the year of reckoning for CRB and CERB recipients. If you want to reduce your tax bill, make sure you're taking advantage of the available tax breaks in 2020.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TCL.A (Transcontinental Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/21
Date Created
2020/11/05
Author
cliew