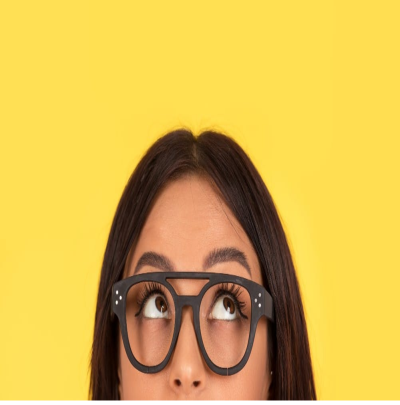

Canada Revenue Agency: 2 Reasons Why You Shouldn't Claim CRB in 2020

Description

Did you get your Canada Recovery Benefit (CRB) for October? For the past few weeks, I have been talking about how to apply for the CRB. But today, I will talk about instances when you should not claim CRB this year. You will be better off without the CRB than with the CRB. Confused?

The Canada Revenue Agency's (CRA) objective behind the CRB is to get Canadians back to work. You can claim the benefit if you are unable to find work, or got a 50% pay cut because of COVID-19 related reasons. The CRA is giving CRB to help you with the living expenses if you have no other financial support for unemployment or COVID-19 emergency.

Make the most of your CRB

The CRA will pay you $900 after-tax in CRB every two weeks for up to 26 weeks. This benefit is available till September 25, 2021. If you use your CRB continuously, you will exhaust the benefit by the first week of April 2021. We are currently living in a COVID-19 economy where the job market is volatile.

If you have earned sufficient income in a month to meet your expenses and you still meet the CRB eligibility, save the benefit for a difficult period when there is no work. For instance, Jim is a wedding planner, and this is the time when he gets many contracts. He earned $5,000 from a contract that ended on October 10.

For the rest of the month, he had no work, as many clients postponed their wedding due to the resurgence of COVID-19 cases. He can claim CRB for October 11-24 period anytime between October 26 and December 24.

Instead of rushing to claim the CRB, Jim can save the 26-week benefit for the first half of 2021 when the business is slow.

The CRA can take back your CRB

Another situation when you should avoid claiming the CRB if you can is when your 2020 working income exceeds $37,000. The CRA states that it will take back $0.5 on every dollar you earn above $37,000 when you file your 2020 tax returns. What does this mean?

First, take some time off this weekend and calculate how much you will earn this year. While calculating your income, include Canada Emergency Response Benefit (CERB), Canada Recovery Sickness Benefit (CRSB), and Employment Insurance (EI) payments you got this year. Exclude the CRB amount you received this year. If your total income comes up to $37,000, don't claim your CRB this year.

Going back to my previous example, Jim got $14,000 ($2,000*7) in CERB and earned $30,000 in working income. His annual income will be $7,000 above the $37,000 limit and the CRA can take back $3,500 in CRB payments. Now, if he doesn't claim CRB this year, he will still have 26 weeks of CRB available with him, which he can use next year. He will also save out on the extra tax burden the CRB payments will bring.

Create your benefit pool the CRA can't take away

The pandemic bought CRA benefits relief, but these benefits are temporary, taxable, and the CRA can take them back. The pandemic also created a once-in-a-decade opportunity to lock in over 8.5% in dividend yields. The March stock market sell-off reduced **Enbridge** (TSX:ENB)(NYSE:ENB) stock price by 35% to its eight-year low and inflated its dividend yield to 8.86%.

Enbridge has built North America's largest pipeline infrastructure over the last 30 years. It is now leveraging this infrastructure to transmit oil and natural gas. When demand is high, more oil flows through its pipelines, and more cash flows into its balance sheet.

The pandemic has reduced oil demand, and this demand weakness will lower Enbridge's cash inflow. However, its exposure to natural gas and $13 billion in liquidity gives it ample flexibility to pay dividends. In the worst-case scenario, it might not increase its dividend per share for the next two years.

If you invest $6,000 in Enbridge through Tax-Free Savings Account (TFSA), it will give you over $500 in annual dividend income, which the CRA can't take away.

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pujatayal