



Canada Revenue Agency: 2 Ways CRB and CERB Can Increase Your 2020 Tax Bill

Description

The Canada Revenue Agency (CRA) distributed generous cash benefits of \$2,000 a month and one-time benefits of \$300-\$400 this year. These [COVID-19 benefits](#) came as part of the Justin Trudeau government's fiscal stimulus package. The CRA paid these benefits from the taxpayers' money and will take back some portion of these benefits in the form of income tax.

The tax implication of CERB

The CRA paid \$2,000 every month in Canada Emergency Response Benefit (CERB) to unemployed Canadians. You can get a maximum of \$14,000 in CERB for seven months, and this money will be added to your 2020 taxable income. You could collect CERB while earning up to \$1,000. This adds up your total taxable income to \$21,000.

There were many faulty CERB payments. Some received CERB from both the CRA and Service Canada, while some received both CERB and Employment Insurance (EI) for the same period. There were also instances when some earned more than \$1,000 during the benefit period, which left them ineligible for CERB.

In any of these three instances, the CRA will ask you to repay these faulty CERB payments. If you do so before December 31, the CRA will exclude the amount repaid from your 2020 tax filing. If you delay the repayment, the CRA will take back the faulty payments during the 2020 tax filing.

The tax implication of CRB

The CRA has replaced CERB with Canada Recovery Benefit (CRB). With the CRB, it is deducting a 10% tax at source, but it will add the remaining amount to your taxable income. If you continuously claim CRB from September 26 to December 31, the CRA will add \$5,400 of CRB payments to your 2020 taxable income.

Moreover, if your annual income, including CERB and excluding CRB, is over \$37,000, the CRA will take away \$0.5 in CRB for every dollar of surplus income.

For instance, Jerry earned \$45,000 in 2020 and got \$5,400 in CRB payments. The CRA will take away \$4,000 (\$8,000*50%) from his CRB payment by adding it to his 2020 tax bill.

How to reduce your 2020 tax bill

The CRA cash benefits can increase your 2020 tax bill significantly if there is a benefits clawback. The CRA tax deductions can't reduce the clawback amount, but they can reduce the taxable income, which includes CRB and CERB payments. You can deduct the personal amount and Canada employment amount from your taxable income. You can [reduce your 2020 tax bill](#) by \$325 by using digital news tax credit and Canada training credit.

However, these tax breaks might not help much with CERB and CRB clawbacks. You can reduce your 2020 tax bill by not claiming CRB this year if your annual income is over \$37,000. The CRB is available till September 25, 2021. Instead of losing your benefit to clawbacks, save it for difficult times. As for CERB, you can voluntarily repay faulty payments to the CRA.

Invest in a high-growth stock

Invest a small portion of CRB and CERB in a high-growth stock through Tax-Free Savings Account (TFSA). Those who invested \$400 from their first CERB payment in **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) now have \$960 in their TFSA. This money is sufficient to cover 25% of the federal tax bill on CERB. And if this is a faulty CERB payment, you can voluntarily repay the benefit and save yourself from clawback.

Even though Lightspeed stock has surged to new highs, it is a high-growth stock that has the potential to be the next **Shopify**. Lightspeed enhanced its omnichannel solutions to help retailers, restaurants, and golf clubs seamlessly integrate physical and digital stores. This is necessary in the COVID-19 economy, where you can order ahead online before reaching the restaurant or book a shopping/service slot to avoid the crowd and long lines.

Lightspeed maintained its 50% revenue-growth rate while it was adjusting to the COVID-19 economy. Its new platform could accelerate its revenue-growth rate in the fiscal 2021 second quarter. The stock could grow double digits in the next two years.

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