



## Canada Revenue Agency: You Can Avoid Tax on the \$14,000 CERB Payments

### Description

This year, the Canada Revenue Agency (CRA) gave \$2,000 in Canada Emergency Response Benefit (CERB) payments to over eight million Canadians. Every eligible individual could claim a maximum of \$14,000 in CERB for seven months. This benefit is taxable. But you can free your CERB payments from taxes. Here's how.

While the CRA is levying taxes on COVID-19 benefits, it is also increasing tax credits that can help you reduce your tax bill. The key is to understand how and where to apply for the tax credits.

### Free your \$14,000 CERB payments from taxes

The CRA offers a tax credit called the basic personal amount, or BPA, on which it exempts the federal tax. For the 2020 tax year, it has increased the BPA by over \$900 to \$13,299, which means you can deduct this BPA amount from your 2020 taxable income.

The CERB added \$14,000 to your 2020 taxable income, which equates to a federal tax bill of \$2,100. If you apply the BPA deduction, it will reduce your tax bill by \$1,984. If you club this BPA tax credit with a few more [tax credits](#), you can make your CERB tax free.

One such tax credit is Digital News Subscription. This tax credit can save you up to \$75 in your federal tax bill. All you need to do is spend \$500 on subscriptions to eligible Canadian digital news media publications.

### Make the most of the CERB and tax credits

The CRA is increasing the tax credit amount and introducing new credits to help Canadians grow. All you have to do is make the most of these benefits. For instance, use the \$500 digital new subscription credit to subscribe to financial and investment magazines and improve your knowledge. The tax and investment updates on these subscriptions will help you plan your finances better.

As for the CERB, many Canadians set aside a portion of the \$2,000 benefit payment and invested in some virus stocks. It is this CERB liquidity that drove the stock market, especially the tech stocks. If you invested \$400 from your first CERB payment in **Cargojet** ([TSX:CJT](#)), you would now have \$700 by now.

Cargojet was one of the beneficiaries of the pandemic. As the lockdown grounded passenger planes worldwide and boosted e-commerce, the Canadian government declared Cargojet as an essential service. The air cargo company saw a surge in demand for medical supplies and e-commerce, driving its revenue up 65% year-over-year in the second quarter, its highest growth in five years.

However, Cargojet stock has declined 17% in the last four trading days after **Pfizer** and **BioNTech** [claimed](#) that their COVID-19 vaccine is 90% effective. Cargojet stock also took a hit after Canada's biggest airline **Air Canada's** CEO stated his intentions to focus on air cargo in the post-pandemic economy.

Cargojet still has growth potential, but the competition from AC could slow its growth. If you own Cargojet stock, hold it for a longer term. But don't buy it at a \$200 price point.

## The CRA also gives you a tax credit on savings

The CRA offers more than CERB and tax credits. It also gives you a tax advantage if you in your Tax-Free Savings Account (TFSA). However, this tax advantage is available on withdrawals than contributions. Hence, invest in high-growth and high-dividend stocks through a TFSA.

This is the right time to invest in stocks that will benefit from economic recovery. One such stock is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), which was hit during the pandemic as oil demand dropped significantly. Enbridge earns 50% off its revenue from the toll money it earns for allowing utilities to transmit oil through its pipelines.

For the last two decades, it has increased its exposure to natural gas transmission, distribution, and storage, which now accounts for 43% of its cash flows. As the economy reopens, the oil demand will surge and drive its cash flows.

## Investor corner

Enbridge stock has surged more than 10% so far this week, and it will return to its pre-pandemic level of over \$50 in a year or two. Buy the stock now and lock an 8.2% dividend yield and a chance to get a 25% capital appreciation.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CJT (Cargojet Inc.)
3. TSX:ENB (Enbridge Inc.)

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