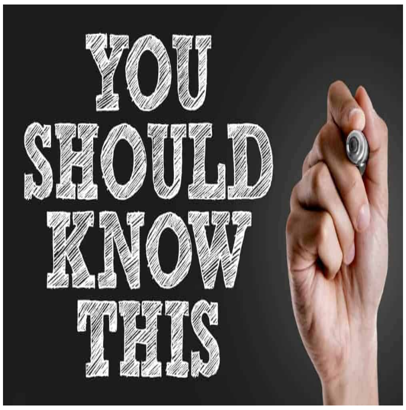


# Collecting CRB? 1 Important Thing You Should Know About the CRA’s Tax Deductions

## Description

One of the problems with the Canada Emergency Response Benefit (CERB) was that its payments were taxable, but recipients were receiving the full $2,000 every month. That left the responsibility up to the individual to ensure they were setting aside enough money for potential taxes down the road. For people who haven’t been working and who’ve been collecting nothing but CERB in 2020, it’s possible they may not end up with a tax bill at all next year. However, that’s not the situation for others, especially those who have worked at some point during the year.



The new Canada Recovery Benefit (CRB) also pays the same $2,000 month, but a key difference is that the Canada Revenue Agency (CRA) will withhold a 10% tax, which means recipients will only receive $900 for each two-week period. However, that doesn’t mean that you’re free and clear and don’t have to worry about putting money aside for taxes. The 10% deduction may not be enough. In Ontario, for instance, the combined federal and provincial tax rate for the lowest tax bracket is just over 20%. There will be tax credits to offset your taxable income, but even with a 10% deduction at the source, there’s still the potential that you may owe taxes when you go to do your returns in 2021.

## What can you do?

This year is no doubt a messy one for everyone, especially when it comes to their finances and earnings. That’s why the easiest way to estimate how much you’ll owe this year in tax is by using a tax program from 2019 and enter in your income from this year, as if you were filing your taxes. If you can at least estimate the amount of money you’ve received from the government this year plus any other earnings you’ve made along the way, you can get close to what your tax liability may look like next year. It won’t be perfect, but it’ll be much closer than if you were to use just a percentage to estimate it. It can also help you prepare so that you know how much you may need to set aside for next year’s taxes, assuming you have to pay any.

# Use your TFSA to set aside money today

If you've got room in your Tax-Free Savings Account (TFSA), it can be a safe place to put the funds until you actually need to use them. With a TFSA, you can withdraw the money without any tax penalties and then use them to pay your taxes — or any other need that may come up.

And if you're not sure what to do with the money inside of a TFSA, consider investing it in a top bank stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Year to date, the bank stock has fallen more than 11% in price, as 2020 has been a tough year on the economy. But since Joe Biden's election win earlier this month, the bank stock has been rising, closing at over $60 for the first time since early September. There's optimism that the new U.S. president will help add some stability for North America and potentially contain the COVID-19 pandemic south of the border. If that happens, TD, which has a strong presence in the U.S., would stand to benefit.

And with news that **Pfizer** has a vaccine that's 90% effective against COVID-19, there's at least some renewed hope that this pandemic might finally end sometime in the foreseeable future.

Investing in TD today could be a great move that pays off over the long haul. And so, even if you're not sure if you may need to pay taxes, putting money into your TFSA and investing in TD or another top bank stock could be a move you thank yourself for making years from now.



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