



CRA: If You Hate Taxes, There's Bad News for the \$2,000 CRB

Description

Nobody likes taxes, and a lot of people actually hate them. But times like these that help us appreciate the value and importance of taxes. Many of the government benefits, including the CRB, are possible in part because of taxes. Ironically, the government benefits that are funded by tax dollars are also taxable.

The CRB is taxed a bit differently. When you qualify for the CRB, the government sends you \$1,800 for the month and not the whole \$2,000 you qualified for. That's because a 10% tax is deducted at the source. But that's not the end of it. The CRB is still considered taxable income. If your tax liability (and marginal tax rate) goes beyond a certain level, then the 10% tax government withheld won't be enough to cover your tax obligation.

The simplest way is to calculate how much you owe for the whole CRB amount. Deduct the 10% that the government withheld from the benefit payment, and pay the rest.

If you hate taxes, there are two things you can do.

Claim a sizeable deduction

RRSP contributions allow you to save a lot in taxes. And since you might want to leave your RRSP investments be and grow there for a long time (with a combination of dividend reinvestment and price appreciation), you may [want to invest](#) in a stock like **Granite REIT** ([TSX:GRT.UN](#)). It's the oldest aristocrat in the sector right now, and its capital growth makes up for its modest 3.8% growth.

If you live in Ontario, your taxable income for the year is \$80,000, and if you contribute \$10,000 to your RRSP investments, you can easily save over \$3,000 in taxes. Considering the 10-year (dividend-adjusted) CAGR of Granite (23%), if you just let this investment grow in your RRSP, you might convert your initial capital into \$79,000 in a decade.

Create tax-free income sources

A TFSA is a great place to create a tax-free income. [A dividend star](#) like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) might be a good addition to your TFSA. The beloved aristocrat is currently offering an 8.4% yield, and after **Suncor** slashed its dividends, Enbridge is probably the most powerful aristocrat in the sector. The company is having a hard time since the oil demand is drying up, but as a pipeline operator, its revenues are a bit safer than some other energy company.

It's refusing to slash its dividends now. But even if the company raises its dividend to continue its aristocratic streak, it might not be as generous as before. Still, if you can lock in the yield and the company even marginally increases its dividends in the future, your payouts will be considerable.

Foolish takeaway

The CRB taxation might be a head-scratcher for many Canadians, especially those who do their own taxes. If you seek guidance, it would be a good idea to reach out to the CRA before the tax season before they are swamped with calls for clarification and guidance. The most important part is to remember that it *is* taxable.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)

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