



Wait! Don't Claim the \$2,000/Month CRA CRB in November

Description

Have you applied for the \$2,000/month Canada Recovery Benefit (CRB) in November? The application window for the period November 8 to 21 opens today. But wait! Don't apply for the benefit even if you qualify. The Canada Revenue Agency (CRA) will clawback the CRB if your 2020 net income exceeds \$38,000. And mind you, this [\\$38,000](#) includes the \$14,000 Canada Emergency Response Benefit (CERB) payments the CRA distributed for seven months between March 15 and September 26.

You stand to lose in the CRA CRB clawback

The CRA launched the CRB to help Canadian at times when they are unable to get work or took a pay cut as the COVID-19 pandemic severely affected business revenues. However, if your annual taxable income exceeds \$38,000, the CRA believes you don't need an unemployment benefit. When you file your tax returns, it will claw back 50% of the income earned above \$38,000 up to the CRB amount you collected.

For instance, Henry collected \$14,000 in CERB, \$900 in Canada Recovery Sickness Benefit (CRSB), and \$1,800 in CRB. His total net income after including other benefits except CRB was \$41,000. The CRA will claw back \$1,500 of the CRB (50% of the surplus income of \$3,000).

What do you think? Doesn't Henry tend to lose with the CRA clawback? If your situation is similar to Henry's, there is a way you can avoid the CRB clawback.

How to avoid the CRA CRB clawback

First, calculate your net income for 2020. If it exceeds \$38,000, don't apply for the CRB in November and December even if you qualify. Apply for the [CRSB](#) or Canada Recovery Caregiving Benefit (CRCB) if you qualify as it doesn't have the \$38,000 income limit.

If you don't meet the requirement for any other COVID-19 benefits, then wait till January to claim your November and December CRB, which comes to \$3,600. The CRA gives you 60 days to claim your

CRB from the date the application window opens. As you will receive the CRB benefit in January, it will not be added to the 2020 tax year.

Now, when you collect the \$3,600 in retroactive payments for the November and December CRB, invest this money in good growth and dividend stocks. The CRA will clawback this amount in your 2021 tax filing if your net income exceeds \$38,000. But here, you will get to enjoy the CRB for the entire year. Plus, you can also make money from this benefit amount, which the CRA can't clawback.

How to make CRB earn for you

Returning to my previous example, Henry collects his November and December CRB of \$3,600 in January and puts 50% of this money in Tax-Free Savings Account (TFSA). The CRA exempts TFSA's investment income from taxes.

He knows that the CRA will clawback the CRB money in April 2022 when he files his returns. But then, his TFSA investment will generate some returns in these 15 months before the CRA claws back the CRB. Hence, he invests \$1,800 from the CRB money in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Lightspeed POS** (TSX:LSPD)([NYSE:LSPD](#)).

Lightspeed is benefitting from the pandemic as retail and hospitality customers are adopting its platform. The need for social distancing has made the Lightspeed platform a necessity. The platform enables curbside pickup, online order/appointment booking, contactless payments, and much more. Its stock surged 95% last year and 60% so far this year. It has the potential to grow more than 20% next year as its revenue is growing at a rate of 50%.

Enbridge is a stock that has a 25-year history of paying incremental dividends. The pandemic has impacted its stock. A sudden dip in oil demand because of restricted travel reduced Enbridge's revenue from transmitting oil. However, its revenue from natural gas transmission offset any declines from oil and increased its distributable cash flow. With the COVID-19 vaccine trial showing success, the economy could start recovering next year. Enbridge stock will return to the pre-pandemic level as travel recovers.

Smart investing

Henry invests \$900 each in Lightspeed and Enbridge. Taking a cautious estimate, Lightspeed stock and Enbridge will grow \$900 to \$1,080 and \$1,155 (after including \$75 in annual dividend). The \$3,600 CRB will earn Henry \$435 in tax-free income.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)

2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:ENB (Enbridge Inc.)
4. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

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

Date

2025/08/30

Date Created

2020/11/23

Author

pujatayal

default watermark

default watermark