



Canada Revenue Agency: These 2 Mistakes Can Cost You \$2,000/Month CRB

Description

The Canada Revenue Agency (CRA) is giving \$2,000/month in Canada Recovery Benefit (CRB) to all eligible Canadians. You can now submit the CRB application for the November 8 to 21 period if you qualify. Before you apply, ensure two things. First, your annual income [should not exceed \\$38,000](#). Second, you have been actively searching for a job and have not rejected a reasonable offer.

Avoid these two CRB mistakes

The CRA is giving CRB to help Canadians get back to work. But every benefit has its limitations. The CRB's predecessor Canada Emergency Response Benefit (CERB) had the maximum monthly income limit of \$1,000. So if you earned more than \$1,000, the CRA will take away your \$2,000/month in CERB. It was either the full benefit or no benefit.

The CRA has worked on this and made the CRB more flexible. It has set the maximum income limit at \$38,000 a year. This income includes your CERB payments and any other emergency COVID-19 benefits like sickness, caregiving, and Canada Emergency Student Benefit (CESB).

If your 2020 income surpasses \$38,000, you will lose your CRB at the rate of 50% of your surplus income. For instance, you earned \$40,000 in annual income and claimed \$1,800 in CRB after tax. You will lose \$1,000 in CRB payment when you file your tax returns in April.

This mistake can cost you \$4,500 in CRB payment

Another flaw of CERB was that the \$1,000 maximum monthly income criteria discouraged Canadians to return to work. Employers complained that their workers were not returning to work for a pay lower than \$2,000. The CRA addressed this issue with some strict measures.

First, the CRA will give you CRB even if you are earning. You have to show that your income is 50% lower than your average weekly income in 2019. With this, the CRA wants to encourage you to take up reasonable work even if it is for lower pay. But if it learns that you refused reasonable work, it will cut

your CRB from 26 weeks to 16 weeks. That is worth \$4,500 after tax. Moreover, the CRA will lock you out from CRB for 10 weeks.

Create a personal CRB with TFSA

The above CRB mistakes can prove to be expensive. Rather than living in fear of making mistakes, create your personal CRB. You don't need to apply for a personal CRB, and the CRA can't take it away nor tax it. Moreover, it will be with you for a lifetime and grow every year. This CRB will not encourage you to return to work. Instead, it will encourage you to retire early.

The CRA gives every Canadian above 18 years of age, whether earning or not, the option of opening a Tax-Free Savings Account (TFSA). It will charge tax only on the contribution. The agency won't touch any income you earn in TFSA.

If you invested just \$400 from your first CERB payment in **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), you would have \$1,500 in your TFSA now. Lightspeed is a turnaround story of the pandemic. Its stock had a perfect [V-shaped recovery](#) that value investors like. You will pay tax on the \$400 contribution, whereas your income of \$1,100 is exempt from taxes.

How to earn passive income from TFSA

But diversify your portfolio to get assured returns. This year, the CRA allows you to invest \$6,000 in TFSA and up to \$69,500 for the last 11 years since the account started in 2009. Every year invest the maximum limit the CRA sets on TFSA contribution. Divide your portfolio between growth stocks like Lightspeed, lower risk ETFs like the **iShares S&P/TSX Capped Information Technology Index ETF**, and dividend stocks like **Enbridge**.

You decide the ratio of how you want to distribute your \$6,000 contribution. You can distribute it equally. If you are a risk-taker, you can put a higher amount in growth stocks. But if you want less risky options, you can put a higher amount in dividend stocks.

For instance, a \$4,000 investment in Enbridge will earn you \$330 in annual income. This income could grow to \$715 by 2030 if the company continues to increase its dividend at an average annual rate of 8%.

CATEGORY

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