CRA: It's Not Too Late! Grab the $400 GST Emergency Credit NOW!

Description

The Canada Revenue Agency (CRA) created a number of new benefits and credits this year to help with the pandemic. We could certainly use it, as the company is still reeling from COVID-19. With cases reaching all-time highs in multiple provinces, it looks like the pandemic could continue to rage on for not just months, but perhaps years.

In this new normal, it's imperative to use all the benefits and credits you can get from the CRA. These could be your lifeline in the future. That's especially the case if you're a family with a low to modest income. If you belong to this group, you could still be eligible for the one-time $400 GST emergency credit.

The likely culprit

The GST/HST Emergency Credit was automatically issued on Apr. 9, 2020. This one-time credit sent eligible families $400 by mail or direct deposit. In fact, it's likely you were already receiving GST/HST credits, but this was an addition much like the addition to Old Age Security and Canada Child Benefit payments.

But there is a simple reason if you didn't receive these payments, and that's that you didn't file your 2018 tax return. Yes, we're in 2020, but in April of this year, the 2019 taxes were yet to be filed. Those dates were pushed back to September, 2020. So, the CRA used 2018 income to calculate those eligible for the GST/HST emergency tax credit.

The CRA estimated that there were about 12 million households that received this payment. If you're single, it was likely around $400. If you're a couple, it was likely around $600. If you didn't get these credits the solution is simple: file your tax returns! You can still file your 2018 return, even if it's late. If you do this, it's likely you can receive further emergency payments in the future, along with further GST/HST credits.

Make the most of that cash

If you end up receiving the $400 from the CRA, it's likely you need that emergency money. But there is a way that you can create an emergency fund where you won't be desperate for these credits. That's by taking 10% of your earnings, and putting it into a Tax-Free Savings Account, and investing specifically in dividend stocks.

Dividend stocks provide quarterly or sometimes even monthly income to investors. This income can be used to pay bills or just stashed away for another emergency. A great option is to reinvest those dividends back into your solid stock, so that you keep building your portfolio larger and larger. Soon, you'll have far more than just $400 per year!

Let's say you make a modest income of $35,000. You would then fall into the credit category. You could take just 10% of each paycheque and put it towards your investments. Suddenly, you have $3,500 set aside annually to invest! And right now is a great time to start considering how cheap strong stocks are.

One I would consider is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Canadian banks bounced back strong after the last recession, and will be here for decades to come. CIBC offers the highest yield of the Big Six Banks, making it an ideal stock to buy and hold for decades, using dividends to reinvest.

Bottom line

If you took that $3,500 and invested in CIBC today, you could bring in $186.88 in annual dividends. But CIBC has been growing shares steadily by 8% per year during the last decade. Meanwhile, dividends have risen steadily at a rate of 5.2% during that same time. So, if you reinvested that cash into CIBC stock, in just another decade you could turn it into $12,646.93! And that's without adding another penny.

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