



CRA: Your \$2,000/Month CRB Might End in March 2021

Description

When the world faced the biggest crisis of all time, the Canada Revenue Agency (CRA) released funds to the general public through benefits. Its biggest program was the Canada Emergency Response Benefit (CERB) that helped more than 8 million Canadians who were unemployed. The CRA ended the CERB in September and replaced it with the \$2,000/month Canada Recovery Benefit (CRB). But even this benefit could end in March 2021.

The \$2,000/month CRB expiry date

The CRA announced the CRB to help Canadians return to work. After all, you can't live off government benefits forever. These are temporary cash benefits that will come to an end after some time.

The CRA will give \$2,000/month in CRB payments between September 27, 2020, and September 25, 2021. Now, if you qualify for the CRB, you have to apply for the benefit every two weeks. The CRA will review your application and credit \$900 after deducting a 10% withholding tax. In a month, you can get \$1,800 after tax in CRB payments.

Although the CRB program is valid till September 2021, every individual can get the benefit payments for a maximum of 26 weeks. If you started collecting CRB from September 27 and continue collecting it non-stop, you will [exhaust your benefit by March 27, 2021](#). By then, you would have hit your maximum limit of \$13,000 CRB before tax.

The CRA will take back CRB in April 2021

In April 2021, your tax filing deadline will come. If you don't have a job by then, you will be cash strapped. More important, the CERB and CRB you collect this year will be added to your 2020 taxable income.

If this income, after excluding CRB payments, surpasses \$38,000, the CRA will claw back your CRB. For every dollar you earn above \$38,000, the CRA will take away \$0.5 in CRB payments.

I will use the example of Jerry. He collected the maximum CRB he could get in 2020, which comes to \$5,400 after tax. Jerry's taxable income after excluding CRB was \$40,000, resulting in a surplus income of \$2,000. In this case, the CRA will take away \$1,000 CRB when he files his 2020 income tax returns in April 2021.

Prepare now to avoid a no-cash April

Canadians faced a similar situation in September when the CERB was coming to an end, and they had to file and pay their income tax. At that time, many Canadians were still jobless. Those who had invested some of their CERB money in the stock market encashed their investments to pay taxes and fund their living expenses for October.

You can avoid this situation in April. First, if you are eligible for CRB but your 2020 income is above 38,000, don't claim it now. Delay your November and December CRB payments to January.

The CRA allows you to claim the CRB in 60 days from the date the application window opens. This way you can [delay the CRB clawback](#) by 15 months.

Sell these stocks now!

If you have invested some of the CERB and CRB money in **Air Canada** ([TSX:AC](#)) or **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), encash it now. The great fall of these two stocks has begun. They rallied 80% and 20% in November on the news around the COVID-19 vaccine — a rally that isn't sustainable. These stocks will slump in April as well when the CRB ends for a majority of Canadians.

Shopify stock fell 23% in the first 20 days of September as investors removed their money from the stock. AC stock never rallied because of the fiscal stimulus money, yet it fell 14% in September. So, if you are thinking of using these two stocks as a backup for a no-cash April, you might be up for a nasty surprise.

Foolish takeaway

A good strategy would be to encash your profits from AC and Shopify now and put them in stocks that are not rallying on the back of the fiscal stimulus package. Some resilient stocks are **RioCan REIT** and **Enbridge**. They won't dip in any double-digit April market correction and will also earn you some dividend income.

Do all these investments from your Tax-Free Savings Account (TFSA) as you don't want your investment income to add to your tax burden.

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